

**JPRS 73905**

**25 July 1979**

# **China Report**

**ECONOMIC AFFAIRS**

**No. 4**



**FOREIGN BROADCAST INFORMATION SERVICE**

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<b>REPORT DOCUMENTATION PAGE</b>		1. REPORT NO. JPRS 73905	2.	3. Recipient's Accession No.
4. Title and Subtitle CHINA REPORT: ECONOMIC AFFAIRS, No. 4			5. Report Date 25 July 1979	
7. Author(s)			6.	
9. Performing Organization Name and Address Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201			8. Performing Organization Rept. No.	
12. Sponsoring Organization Name and Address  As above			10. Project/Task/Work Unit No.	
			11. Contract(C) or Grant(G) No. (C) (G)	
15. Supplementary Notes			13. Type of Report & Period Covered	
			14.	
16. Abstract (Limit: 200 words)  This serial report contains economic information on China.				
17. Document Analysis a. Descriptors CHINA National Economic Policy Economic Planning Finance and Banking Fuels and Power Mineral Resources Heavy and Light Industry Capital Construction Domestic and Foreign Trade Transportation  b. Identifiers/Open-Ended Terms 05C, 13  c. COSATI Field/Group				
18. Availability Statement Unlimited Availability Sold by NTIS Springfield, Virginia 22161		19. Security Class (This Report) UNCLASSIFIED		21. No. of Pages 74
		20. Security Class (This Page) UNCLASSIFIED		22. Price

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# CHINA REPORT

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### CONTENTS

PAGE

#### NATIONAL ECONOMIC POLICY

Economic Journal Criticizes 'Left Deviation' Thinking (Xu Dixin; JINGJI GUANLI, 25 Apr 79) .....	1
PRC State Organs Call for Strengthening Factory Safety Measures (XINHUA Domestic Service, 30 Jun 79) .....	10
Liaoning Luda Party Discusses Readjusting Economy (Liaoning Provincial Service, 8 Jul 79) .....	12
Liaoning Party Holds Conference on Readjusting Economy (Liaoning Provincial Service, 8 Jul 79) .....	14
Guangdong Paper Commentator's Article on Capital Construction (Guangdong Provincial Service, 10 Jul 79) .....	15
Shanghai Meeting Urges Study of Economy, Party History (Shanghai City Service, 8 Jul 79) .....	17
Theory of Labor as a Means of Livelihood Defended (Huang Fanzhang; JINGJI YANCHIU, 20 Apr 79) .....	19
Relative Necessity of Accumulation, Consumption Described (Liu Shinien, Zhou Ying; JINGJI YANCHIU, 20 Apr 79) .....	24
Paying for Use of Fixed Assets Advocated (Liang Wensen, Thien Jianghai; JINGJI YANCHIU, 20 Apr 79) .	39



CONTENTS (Continued)	Page
<b>FINANCE AND BANKING</b>	
Briefs	
Guangxi—Bank Savings	54
Shandong Saving Deposits	54
<b>FUELS AND POWER</b>	
Increased Electrical Production, Conservancy in Consumption Urged	
(RENMIN RIBAO, 29 May 79) .....	55
Shandong Circular Names Oilfield, Enterprises as Daqing-Type	
(Shandong Provincial Service, 6 Jul 79) .....	59
<b>MINERAL RESOURCES</b>	
Briefs	
Fujian Polymetallic Ores	60
<b>HEAVY INDUSTRY</b>	
Standardization of Industrial Products Considered Necessary	
(Qiao Yungzhang; NINGJI YANCHIU, 20 Apr 79) .....	61
Shanghai Holds Meeting on Prevention of Serious Fires	
(Shanghai City Service, 7 Jul 79) .....	68
<b>LIGHT INDUSTRY</b>	
Briefs	
Hunan Light, Textile Industries Forum	69
<b>CAPITAL CONSTRUCTION</b>	
Briefs	
Experimental Quakeproof Building	70
<b>DOMESTIC TRADE</b>	
Yunnan Bureau Holds Conference on Village Trade Fairs	
(Yunnan Provincial Service, 3 Jul 79) .....	71

## NATIONAL ECONOMIC POLICY

### ECONOMIC JOURNAL CRITICIZES 'LEFT DEVIATION' THINKING

Beijing JINGJI GUANLI in Chinese No 4, 25 Apr 79 pp 2-6 HK

[Article by Xu Dixin (6079 3321 2450): "Overcome the Influence of 'Left Deviation'--Steadily Develop Socialist Modernized Construction"]

[Text] It has been 30 years since the founding of the People's Republic of China. In these 30 years of socialist construction, we have tasted success and learned many lessons. Our past experience is very instructive for what is to come. Thirty years of actual practice attests to the fact that the prosperity of our cause and the stable development of our national economy depend on the following factors: Our persistence on the road of socialism, the dictatorship of the proletariat, Marxism-Leninism and Mao Zedong Thought; and taking due consideration of the actual circumstances and economic principles in our handling of things.

Twenty years ago, in his article "The Ten Great Years," Comrade Zhou Enlai said "At a time when the People's Republic of China is celebrating its 10th anniversary, no one in the world, irrespective of their political persuasion, can deny the tremendous changes made in China. The Chinese people have been transformed from the slaves of a veritable hell on earth to become the fearless masters of their own destiny. The people of the whole nation joyously look back to the victories that have been obtained and are facing the future with much confidence." (See Zhou Enlai, "The Ten Great Years," RENMIN RIBAO, 6 October 1959) After 20 years, these grand remarks of Comrade Zhou Enlai are still inspiring the whole nation with enthusiasm and calling us to further our advance.

Before liberation, our country was still an economically backward, semi-colonial and semifeudal country. After liberation, we have only spent 30 years in finishing the journey which many capitalist countries took half a century to accomplish. As for the first 10 years, we had successfully carried through our nationwide land reform and achieved great victory in the socialist transformation of agriculture. Agricultural production was further developed and total agricultural output reached an average of 4.8 percent

per annum. Within 8 years, the national total of food grain output had an annual increase of 7 percent. In the meantime, we had steadily expanded our state-operated industries as well as smoothly achieved the socialist transformation of private industry, commerce and handicraft industries. During this period, total industrial output had an annual increase of 18 percent. All these examples amply illustrate that: The Chinese people have sufficiently demonstrated the superiority of the socialist system. This was done under the leadership of the CCP after the seizure of political power and the reform of the productive relations and superstructure which were obstructing the development of the productive forces. Nevertheless, the development of things is very intricate. In the period that followed, the ascending pace of our national economy was not so stable. The period for the ascent was rather short and the normal situation was one of stagnation, fluctuation and descent. This was especially so during the cultural revolution. The more than 10 years of fanatical sabotage by Lin Biao and the gang of four had put the whole national economy on the verge of collapse. How did it come about? I agree with many comrades that the reason our national economy failed to attain steady growth in 10 to 20 years of socialist construction was because of "left adventurism." After the smashing of the gang of four and with the bitter lesson still afresh in our mind, we must undertake a historical and overall evaluation of the success and failure of our 30 years of national economic construction since the founding of the republic. Here, I will only express my personal views on the harmful effects of "left deviation" thinking on industrial and agricultural production.

## I

We must acknowledge the accomplishments of socialist industry, especially in the area of capital construction, in the past 30 years. We have established many industrial departments and industrial bases which were practically nonexistent before liberation and have basically established our own national economic system. However, we must not overlook the fact that we still have many shortcomings and errors in addition to these accomplishments. The guiding philosophy behind these shortcomings and errors is "left adventurism." The special feature of such "left deviation" thinking is a total disregard of objective conditions: Setting the target as high as possible, overextending the front of capital construction and enlarging the "gap" as far as possible. Within the scope of the system of people's ownership, all material, financial and human resources were centralized beyond all reasonable measure (but this was at the same time accompanied by unplanned dispersal.) Besides this, there was the isolated development of steel without due regard to objective proportion.

Marx, when talking about the expanded reproduction of a society, said, "To accumulate, one must convert part of the surplus products into capital. However, unless there is a miracle, only the goods used in the laboring process, that is, the means of production, and only the goods used to support the workers himself, that is the necessities of life, can be converted into capital. Therefore, part of the yearly surplus labor must be utilized to



produce additional means of production and the necessities of life. These must exceed the amount needed to replace the capital already invested." (See Marx "Collected Works" Vol 23, p 637) In our socialist society, there is no problem of converting the means of production and the necessities of life used in the process of reproduction into capital. However, to expand reproduction and add new means of production and necessities of life, we must tap the surplus labor products of the previous year. That is to say, the target of our industrial production, especially that of capital construction, is constrained by the surplus labor products of the previous year. We ought not propose targets which are in excess of the actual amount of resources available, nor can we repeat the same process year after year. Yet, for many years, this problem has been neglected by many comrades.

In the area of capital construction, high targets manifested themselves in the form of overextended fronts. Furthermore, targets were raised again and again without centralized coordination. Capital construction within the plan could not be guaranteed due to the unlimited capital construction outside the plan. As a result, there were everywhere "illegal construction projects" which dragged on for years without ever being finished. These projects not only could not become productive, but had to continue paying out wages while lying idle. This really is an awful waste. In military affairs, we know how to conduct a war of annihilation; but in economic construction, we are fighting a war of attrition. What more can we say about this.

Another manifestation of high targets is assigning tasks without providing the necessary raw materials or just giving a small portion of them. This is what we call "leaving behind gaps." In "Capital," Marx repeatedly pointed out that: The normal process of reproduction must be backed up by reserve resources. He said, "To look at it from the perspective of the whole society, there must be a constant overfulfillment of production so as to get hold of a definite amount of the means of production for the replacements necessitated by abnormal disruptions as a result of accidents and acts of nature. That is to say, production must be on a far greater scale than the degree needed for simple replacement and reproduction of existing wealth. Here we have not mentioned the increase of population." (Marx, "Capital" [Translated by Guo Dali and Wang Yanan] vol II, pp 178-179) In these words, Marx cautioned us to allow for unforeseen circumstances in our production and construction. By doing so, we can take the initiative. But for so many years, we have not only not allowed for unforeseen circumstances but have deliberately left behind many gaps. Presumably, the reason for this was that gaps would urge people to express their subjective initiative. Actually, such gaps only give initiative to sending purchasing agents everywhere and to causing back-door dealings and bartering. It only promotes the "enthusiasm" of the various units to prepare for every possible contingency, blindly accumulating and hoarding in excess of actual needs. In this way, the gaps became bigger and bigger. Many years of actual experience have made it clear that gaps result in contradictions and the destruction of equilibrium. It is a



means of negating the planned nature of socialist economy and of creating anarchy. If we continue to regard keeping gaps as a policy for economic construction, it will be very difficult for us to take the initiative. We will lose the initiative year after year.

In our national economy, which is based on the socialist public ownership of all means of production, the allocation and utilization of financial, material and human resources must necessarily be centralized. A socialist economy is a planned economy. A planned economy must be based on the centralized utilization of all financial, material and human resources. However, when the degree of centralization is in excess, it will constrain the initiative of enterprises and affect the development of socialism. In terms of property rights and based on the premise of overall control of planning and expenditure, an enterprise not only has to turn in all its gains to the state in the form of taxation and enterprise profits, it even has to turn over the depreciation of its machinery and equipment to the state. Thus, there is no such thing as accumulation and the leeway for flexibility in the enterprises is meager. With regard to the disposal of important means of production which have to be centrally allocated, all the power resides in the planning and resource departments; whereas the control of labor targets goes to the planning and labour departments. This kind of overconcentration is really too much. This is probably another manifestation of "left deviation" thinking.

However, excessive centralization would certainly lead to its opposite end, that is, its opposite aspect. This opposite aspect is random dispersal. The so-called "capital construction outside the plan" and "the three self-procurements of capital, material resources and labor forces" are actual examples of the opposite side of excessive centralization. In some large-scale, state-managed factories, one or two workshops are specially assigned as collectively owned units. In many aspects, these units are not under the constraint of national planning. Nowadays, all the collectively owned factories in the cities and the brigade-run enterprises are outside national planning. It is undeniable that this kind of random dispersal presents a structural problem. Recently the experience of "direct linkage between factory and commune, and the dispersal of products" of a certain area has been popularized everywhere. In reality, this "rips" the state-operated factories into pieces and hands it over to the various brigades. The following problems are of concern: Ownership by the entire people being reduced to collective ownership; centralization being reduced to dispersal; large factories being reduced to small factories; whether it is possible to improve the relationship between production, supply, and distribution; whether the cost of production can be reduced; whether production technique and the quality of the products can be guaranteed.

It is impossible to develop our socialist production and socialist construction without a full assortment of quality steel in adequate supply. However, the development of steel production must be proportionally combined with other departments such as electricity and coal. For many years, the influence

of "left deviation" thinking still manifested itself in the actual implementation of the policy of "taking steel as the key link." By singling out steel for prominence and demanding high speed and large quantities of its production, we have totally disregarded its proportional relation with other departments of the national economy. Superficially, it seems that taking "steel as the key link" would help spur the production of other departments. In reality, the separate development of steel has in various degrees adversely affected the production of many productive departments. For example, due to the inadequacy of electricity and fuel, many areas had to sacrifice the production of other departments for the sake of "safeguarding steel production." In some areas, to safeguard the production of steel, the supply of electricity for other departments had to be cut off for 3 to 4 days a week. No point in even mentioning that the supply of electricity for civilians was. It is not wrong to develop the production of steel. The problem lies in the prolonged singling out of steel without it being coordinated with the production of electricity, fuel and the production of other departments. Actual practice has revealed that since the production of other departments did not receive due consideration, steel as the "key link" of production could not increase smoothly. Furthermore, "steel as the key-link" has in actual fact become "ingot iron as the key link." If the production of steel remains at the stage of "ingot iron," it can neither serve as raw material nor be of any positive use of itself. What possible contribution can it have to the speedy development of the national economy?

2

In the 30 years since the founding of the republic, socialist agricultural production has achieved marked results due to the success of land reform, the coming of collectivization and the continuing development of agricultural irrigation works. However, for many years, the influence of "left deviation" thinking has also affected the field of agriculture. This manifested itself in:

1. An eagerness to transform the basic accounting unit from that of the production team to the production brigade. There is the thinking that it is more revolutionary to "strive for transition despite poverty." It was so when Lin Biao and the gang of four were still in power; even after the smashing of the gang, there are still people holding fast to such a viewpoint. This kind of meteoric transition without due regard for the level of development of agricultural productivity, the concrete conditions of the locality and the discussion of the mass of commune members is merely the "wishful thinking of the leading officials." This, in reality, would only mean the "collectivization" of the property of the rich team by the poor team. This manner of handling things has in many areas disrupted the productive forces by causing commune members to cut down trees and slaughter their livestock and poultry. Actual practice has revealed that this kind of "transition despite poverty" contradicted the requirements of several important laws. It is contrary to the law of adjusting productive relations

according to the nature of productive forces. It is also contrary to the law of value and the law of distribution according to work.

2. "Left deviation" thinking in agriculture has also manifested itself in a total disregard for the actual situation by abolishing household sideline production and private plots. The abolition of household sideline production and private plots was regarded as the cutting off of the tail of capitalism and absolutely revolutionary. This, in actual fact, destroys a necessary supplement to collective agriculture and results in no production except the regular collective foodgrain production of the production team and a few agricultural byproducts.

3. In the meantime, many areas have abolished barter trade at the village level, regarding barter trade by the peasants as a capitalist activity. It is undeniable that there were people who speculated on the price differential between different areas in barter trade. However, this is not the main trend. The majority of those who participated in barter trade are common commune members trying to adjust the wants and surpluses. Actual practice revealed that closing down village barter trade did not stop speculative activities but just dispersed and drove them underground. In some areas, the closing down of barter trade only resulted in a more active black market and sent market prices soaring. In areas where the village barter was open, market prices stabilized due to the increased supply of various commodities and the ease with which the peasants could adjust their wants and surpluses. It is proven by practice that closing down of village barter will only adversely affect the circulation process of socialism. The lack of other channels besides the state-operated trade and cooperatives would only result in a decrease of production and supply of agricultural byproducts and, to a certain degree, pushing the villages back to a natural economy.

4. Our policy is "take food grain as the key link while promoting a diversified and overall developed economy." In some areas, "taking food grain as the key link" causes the unity of sideline agricultural production to be negated. There are ample reasons for such distortion. Firstly, there is the indiscriminate demand that all areas achieve self-sufficiency in grain production. Secondly, there is the subjective demand that all areas raise the target of their grain production so more commodity grain is levied for the state. It is a good thing for the state to requisition more commodity grain, but this must be based on the objective reality of grain production. High requisition quotas divorced from the objective reality is detrimental to the development of collective agriculture and thus affect the lives of the commune members. This at the same time has placed the state in a passive position.

Increasing the demand for grain production in an isolated manner forced the localities to resort to every trick to reach it. Therefore, areas suitable for single cropping resorted to double cropping; those suitable for double cropping resorted to triple cropping. This result in: First, the supply of agricultural labor force becoming critical. Commune members, especially



women, were fatigued throughout the year. Second, the increase of one more crop means an increase of expenditure. Since the supply of chemical fertilizer and ammonium water was inadequate, the only way was to resort to the trick of back door dealing. At the same time, the price of chemical fertilizer soared higher and higher. The procurement price of 1 jin of grain was .10 yuan while the production cost was .20 to .30 yuan. The production team would lose .10 to .20 yuan per jin. If this trend continues, the accumulation of the production team and the income of the commune members cannot but face difficulties. Third, since the growing period for the later crop is too short, Indica rice is preferred to Japonica rice. As the procurement price for Indica rice is lower than that of Japonica rice, there is a contradiction between the amount of grain output on the one hand and its assortment and quality on the other. Fourth, for the sake of self-sufficiency in grain production, some pastoral areas have abandoned pasturing in favour of grain production. Some forest regions have been cleared for cultivation. Some areas have given up marketable agricultural products in favour of grain production, and some lake areas have haphazardly reclaimed land for cultivation. Thus, pastures are destroyed, forests cleared, rivers blocked, and land became sandy and soil seriously eroded. The equilibrium of the whole natural ecology has been upset. Agriculture is the backbone of our national economy. However, agriculture does not mean grain production alone. It also includes many sideline occupations. At the same time, it must necessarily be integrated with forestry, pasturing and fishery. Up to now, many areas are still upsetting the equilibrium of the natural ecology by concentrating on food grains alone. How can it be? It has been proven by prolonged practice of human society that the equilibrium of the natural ecology should not be upset. The result of such damage is not happiness to the people but horrible calamities. Is not this kind of overconcentration on grain production a problem worth our serious consideration?

To "Stride over the Huang He" and "Cross the Chang Jiang," the production of grain has been increased from single cropping, to double cropping, to triple cropping, plus the addition of interplanting. This also created problems in conservation of soil fertility. The fertility of arable land is not unlimited. Although we fertilize the land every year, excessive utilization destroys the soil fertility. In some areas, they are trying to convert all the fertility of the arable land into grain within a few years. This is extremely detrimental to our future generations. In discussing the use of land, Marx said: "We are just the occupiers and users of the land. Like the wise father of a family, we must improve it and pass it on to posterity. (Marx, "Capital" [translated by Guo Dali and Wang Yanan] vol III, p 907) Is not this kind of negligence of the conservation of soil fertility a problem worth our serious consideration if we look a bit further into the future?

5. Distribution according to work is the basic principle of distribution in socialism. It recognizes the differences in quantity and quality of the labor of each individual member of the commune. Thus it recognizes the difference in distribution between individual commune members. However, even



even after the fall of the gang, many people still criticize it as capitalism. It seems that socialism means everybody receiving the same amount of work points. Some people even openly agitated for equalism. How much difference is there between the practice of deciding on an "approximate amount of work points" for a commune member in a year or half and that of equalitarianism? Yet, this form of distribution is regarded as the most advanced method. It is impossible to differentiate the quantity and quality of the labor of individual commune members if we are using "approximate work points." If there is no connection between the reward remitted to commune members and the quantity and quality of the labor they provide, then, how can the principle of distribution according to work be expressed?

### III

Whether in industry or agriculture, the above mentioned manner of doing things has its deep ideological roots.

To promote production, the material factor and the human factor must be closely integrated. The subjective activism of man in the course of production must not be neglected. However, the role of man must not be overstressed to the point of infinity. Twenty years ago, certain people put forward the slogan "a land will produce as much as a person is bold." Is this not a typical example of subjective idealist slogan? For these people, the material conditions and the objective laws can be totally disregarded. They can do what they want. What is the result? Hasn't our many years of practice answered it for us?

Whether in the cities or in the villages, there are people who not only erroneously regard equalitarianism as socialism but also regard our common poverty as the goal of socialist production. It looks as if socialism implies that everybody must be as poor as a church mouse and lead a puritanical life. The influence of such sayings and thinking as "prosperity means revisionism" and "poverty is honorable" are far-reaching among the people. In a certain place in Guangxi, there was a commune secretary who worried himself to death because the bank savings of his commune members were increasing. He thought that the restoration of capitalism was at hand. This is indeed not an isolated example.

In terms of planning, the proper attainment of integral equilibrium has been neglected due to a prolonged lack of understanding of the absolute nature of the disequilibrium. This is another important factor accounting for the emergence of left deviation thinking. In actual fact, the development of the national economy is achieved in the process of equilibrium, the destruction of equilibrium and the establishment of a new equilibrium. Comrade Mao Zedong pointed out that: Equilibrium is relative while disequilibrium is absolute. He also pointed out that the destruction of equilibrium must be followed by the establishment of a new equilibrium. This is exactly what Lenin meant by "Planning is the constant and conscious maintenance of equilibrium."

Yet, for many years, some of our comrades concerned in planning had pushed this absolute nature of disequilibrium one step further. In the course of planning, they had deliberately left behind gaps and called it by the fine-sounding name of "positive equilibrium." In this way, relative equilibrium and the establishment of a new equilibrium are summarily excluded in the realm of thought and actual work. Is this not putting oneself in a passive position on purpose? Under such circumstances, how can one avoid prolonged dislocation or proportion? Comrade Mao Zedong repeatedly taught us to grasp the initiative. Once initiative is at hand, one can "strike from a vantage point" and "advance from victory to victory." After the Zunyi conference, because we had got the military initiative in every aspect, we were able to defeat the Kuomintang pursuit and encirclement; defeat Japanese imperialism during the anti-Japanese war period; smash the million-dollar American-equipped army of Chiang Kai-shek and win the grand victory of the nation's liberation. It was also this way in politics. Only in the realm of economic construction we have regarded passivity as activity and still felt justified living in prolonged dislocation of proportion. Is this situation going to persist?

The 3d plenum of the 11th party congress has decided to put the main emphasis of our party work this year on socialist modernized construction. This is a brilliant change of emphasis. To achieve a smooth change of emphasis, we must overcome the erroneous thinking which has persisted in our industrial and agricultural productions in the past. We must improve upon the adjustment of the national economy and overcome the problem of prolonged dislocation of proportion. We must concentrate our effort on studying the various new situations of our new long march and solve the various new contradictions so as to strive for the modernization of our socialist construction.

At present, both the national and international situations are favourable. Although there is still the problem of dislocation of proportion on the economic front, it is still favourable on the whole. We have already extricated our national economy from the verge of destruction brought by the gang of four and have achieved marked development in terms of recovery. We have confidence that, under the leadership of the party Central Committee headed by Comrade Hua Guofeng, we can do a good job if we could secure a stable and unified condition, single-mindedly and prudently pursue our objectives, relying on the masses and conforming to objective economic laws. Thus, our target of achieving the four modernizations within this century will be assured.

CSO: 4006

## NATIONAL ECONOMIC POLICY

### PRC STATE ORGANS CALL FOR STRENGTHENING FACTORY SAFETY MEASURES

Beijing XINHUA Domestic Service in Chinese 0300 GMT 30 Jun 79 OW

[Text] Beijing, 30 Jun—The State Planning Commission, the State Economic Commission and the State Labor Bureau recently issued a joint circular calling on various departments and units throughout the country to effectively implement "the State Council's regulations on strengthening safety measures in industrial production" and other labor protection laws.

The circular says: "The regulations on strengthening safety measures in industrial production," issued by the State Council in 1963 and "the factory safety and hygienic regulations," "the technical measures for insuring safety in construction and installations," and "the regulations on reporting death and injuries of workers" issued by the State Council in 1956 resulted from years of practical experience in production and have been proven feasible and effective.

The circular points out: All localities, departments and units must put into effect a system of responsibility for strictly insuring safety of workers and their leaders in production in accordance with the requirements of the aforementioned regulations, establish and perfect safety measures in production, strengthen security organs and supervision and inspection structures, and step up scientific research on insuring labor safety in production. Plans must be worked out to improve working conditions and effective measures taken to prevent all avoidable incidents and to control and reduce air pollution harmful to the safety and health of workers. Only by insuring the safety and preserving the health of workers can they promote production and play a role in accelerating socialist modernization.

The circular stresses: Once injuries, death and occupational diseases occur, units concerned should make conscientious efforts to discover their causes, teach cadres and workers how to take precautionary measures to prevent incidents and how to handle such incidents with care. Disciplinary actions must be taken against those leading persons who are guilty of neglecting their duties, who do not care whether workers live or die, who force them

to engage in risky operations against safety regulations, thus causing death and injuries. Punishment must be meted out to those leaders who commit serious mistakes by disregarding labor safety. All labor and health departments are authorized to prevent workers from engaging in operations endangering their health. The presence of labor and health departments and trade union councils is required in the inspection and approval of newly built factories.

CSO: 4006



## NATIONAL ECONOMIC POLICY

### LIAONING LUDA PARTY DISCUSSES READJUSTING ECONOMY

Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 8 Jul 79 SK

[Text] The Luda Municipal CCP Committee recently held a work conference to emphatically discuss the question of readjusting the national economy and mobilizing the people throughout the municipality to vigorously carry out the movement to increase production and economize.

The conference held that in order to readjust the national economy it is necessary to proceed from reality, based on the existing foundation, to grasp the essential point and to make overall arrangements. Luda is a harbor city with a dense population. The special economic characteristics of the municipality are that industry has a certain foundation. The foundation of agriculture is relatively weak, and there are relatively a great number of problems in the people's livelihood to be solved. According to these conditions, the main tasks for the coming 3 years in readjusting the national economy should be the following aspects:

1. It is necessary to vigorously accelerate the development of agriculture, do a good job in developing production of grain, oil-bearing crops and non-staple foodstuffs, and conduct a diversified economy actively and well.
2. It is necessary to put the emphasis of industrial readjustment on strengthening light industry and the textile and electronics industries. Concentrated efforts should be made to accelerate their development, raise their product quality and increase the variety of their products. It is necessary to give priority to supply loans, equipment, raw materials, fuel and power, which are needed by light industry and the textile industry. A good job should be done to improve technology and supporting work for light industry and the textile industry and to fill in the gaps to complete a chain of projects so as to develop production capacity to a greater extent. In addition, it is necessary to reduce projects on the capital construction front so as to concentrate efforts to protect the essential projects and to protect projects to be put into production. Great efforts should be made to produce export products successfully, build export harbors well and expand the source of export goods so as to develop foreign trade greatly.

3. It is necessary to actively adopt measures for solving problems regarding the people's clothing, food, housing and means of travel.

The conference called on party committees at all levels to strengthen the party's leadership over the work and to further boldly arouse the masses to deeply carry out the movement to increase production and to economize so as to promote the development of the national economy, maintain balance between various sectors and to insure that the economy throughout the municipality advances while readjusting.

CSO: 4006

## **NATIONAL ECONOMIC POLICY**

### **LIAONING PARTY HOLDS CONFERENCE ON READJUSTING ECONOMY**

**Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 8 Jul 79 SK**

[Text] Not long ago the Liaoyang Municipal CCP Committee held a work conference in which participating comrades discussed the situation, talked about their understanding, and pledged to heighten their fighting spirit, unleash their energies vigorously and sincerely implement the principle of readjusting, restructuring, consolidating and improving the national economy.

The conference first reviewed and summed up the various work done since the third plenum of the 11th CCP Central Committee, and dealt emphatically with the question of understanding for readjusting the national economy. At the conference participating comrades fully analyzed the economic situation in Liaoyang Municipality, associated the situation with the task after the readjustment of the economy in Liaoyang, and worked out the task and orientation for readjusting the economy in Liaoyang. This should include concentrated efforts to accelerate the tempo in developing agriculture, to resolutely change the backward outlook of agriculture, and—taking the Liaoyang chemical industry plant as a center—to make vigorous efforts to develop light industry and the textile industry and expand the production of items full of Liaoyang local features, such as knitwear, garments, beer, white wine and ceramics. It is necessary to continuously readjust the relations between the back bone and subsidiary sectors of the economy so as to improve the people's livelihood.

In order to fulfill the task as much as possible the conference called on leading cadres at all levels throughout the municipality to stabilize their thinking, heighten their fighting spirit, unleash their energies, work out measures, and to grasp the implementation of the work firmly. All-out efforts should be made to readjust the national economy successfully and lay a solid material foundation for accelerating the realization of four modernizations.

CSO: 4006

## NATIONAL ECONOMIC POLICY

### GUANGDONG PAPER COMMENTATOR'S ARTICLE ON CAPITAL CONSTRUCTION

Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 10 Jul 79 HK

[Article by NANFANG RIBAO commentator, 11 July: "Resolutely Shorten the Capital Construction Front and Ensure Promotion of Agriculture"]

[Text] At present, we must concentrate our forces to lay a good foundation for agriculture and promote agriculture. One of the most important matters is to resolutely shorten our province's capital construction front. We must stop or delay building a number of projects for which we do not have the technology, are uneconomical and lack conditions. Only by doing so can we use our limited financial and material resources and manpower for strengthening agriculture, the national economy, fuel, motive force, communications and transport.

Over the past years, due to the interference and sabotage of Lin Biao and the gang of four, we have not established very well the idea of taking agriculture as the foundation. The capital construction front has been drawn too long. This has not only affected agriculture and light industry and caused an imbalance among agriculture and light and heavy industries but has also used a large amount of funds and a large quantity of materials. If we are not determined to clear and readjust the projects, do not stop and delay building some projects in a decisive manner, seriously control building of new projects and contract the capital construction front, we will then fight a war of attrition for a long time and cause extremely big waste. The problem of an imbalance among agriculture and light and heavy industries will be aggravated gradually. However, if we concentrate our forces to fight a war of annihilation, give priority to promoting projects for strengthening agriculture, promoting the weak links for strengthening the national economy and promoting fuel, motive force, communications and transport, make the capital construction projects suit our existing financial and material resources and manpower and quickly realize returns on each investment, we can gradually change the situation of an imbalance in the national economy among all departments, give priority to developing agriculture and lay a solid foundation for the development of the national economy.



We must regard contracting the capital construction front as an important part of readjusting the national economy and conducting the movement to increase production and practice economy. We must grasp it resolutely and well. Departments concerned in our province have now initially put forward the program for readjusting the capital construction projects in our province. This is a good start. Party committees at all levels must be determined and work meticulously. They must be both active and prudent. They must constantly look into the new situation and solve the new problems in the course of practice so that capital construction work can be improved in the near future. We must make active contributions to promoting the proportionate development of the national economy in a planned way and to laying a good foundation for agriculture in our province.

CSO: 4006

## NATIONAL ECONOMIC POLICY

### SHANGHAI MEETING URGES STUDY OF ECONOMY, PARTY HISTORY

Shanghai City Service in Mandarin 2300 GMT 8 Jul 79 OW

[Excerpts] According to JIEFANG RIBAO, on 6 July the Shanghai municipal party committee propaganda department, the municipal education committee office and the municipal planning commission jointly held a meeting on conducting investigation of economy and party history. The meeting called on theorists and practical workers to still more closely coordinate with each other in dealing with the new situation, to conduct investigation and study and to promote the four modernizations and teaching and scientific research.

Xia Zhengnong, secretary of the municipal party committee, and Chen Yi and (Chen Jinghua), deputy secretaries of the municipal party committee, were present and spoke at the meeting. (Dong Jiabang), vice chairman of the municipal planning commission, and (Lu Zhiren), vice president of the Shanghai Academy of Social Sciences, made reports on measures to be taken in investigating economy and party history. A total of more than 400 comrades from related fields were present at the meeting. (Zhu Wen), deputy director of the municipal education committee office, presided over the meeting.

At the meeting the leading comrade of the municipal party committee emphasized the importance of going deep into the reality of life in conducting investigation and study. The comrades at the meeting said: In order to push forward the four modernizations by integrating it with the actual condition in China and to act in accordance with objective economic laws and raise our work efficiency, it is necessary to conduct investigation and study. Shanghai is an important industrial, scientific research and foreign trade base and has rich practical experience. It has many good things in the economic, scientific, cultural and educational fields which merit our development and exploration. In the economic field, it is necessary for theorists to sum up both positive as well as negative experience in Shanghai's economic work in the past 30 years and to conscientiously study the new situation and solve new problems in order to promote the four modernizations. In the field of party history, it is necessary for party

history workers to visit in good time veteran cadres and workers in Shanghai who have participated in the revolutionary struggle and to save and sort out precious materials.

A leading comrade attending the meeting pointed out: To successfully conduct investigation and study, it is necessary to emancipate our minds, to persist in practice being the solving criterion for testing truth, to dare to break through forbidden zones, to sum up positive as well as negative experience in history and to dare to present new ideas and viewpoints. For example, in studying party history, it will not do if we make no mention of Li Dazhao, Chen Duxiu and Qu Quibai. In studying economy, it will not do if we only talk about planned economy but make no mention of market readjustment. Therefore, theorists must muster their courage and charge forward. They must verify everything by practice and should have no lingering fears.

All the comrades at the meeting warmly supported the idea of theorists and practical workers jointly conducting investigation and study. The leading comrade of the municipal party committee also pointed out: This method should be used not only in the fields of economy and party history but also in philosophy and other branches of social sciences.

CSO: 4006

## NATIONAL ECONOMIC POLICY

### THEORY OF LABOR AS A MEANS OF LIVELIHOOD DEFENDED

Beijing JINGJI YANCHIU in Chinese No 4, 20 Apr 79 pp 35-38

[Article by Huang Fanshang /7806 5400 4545/ : "More on Labor as a Means of Livelihood--A Discussion With Comrade Zhao Renwei /6392 0086 0251/" ]

[Text] Comrade Zhao Renwei's article "On the Question of Labor as a Means of Livelihood" is an economic fact in all forms of society; that this fact is not a unique feature of socialist economy and therefore cannot prove that the principle "to each according to his work" is inevitable in history under the socialist system; and that countering a universally known economic fact means misunderstanding the original ideas of Marxist writers. Is this true? I do not think so.

Labor is a "natural condition" for the existence of human society. (Engels: "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3 p 333) This is an irrefutable fact for all forms of society. Any nation or any society will perish as soon as labor stops. This is general knowledge "for any child." (Marx's Letter to Kugelmann, "Selected Works of Marx and Engels," Vol 4 p 368) It is necessary to propagate this simple and yet great truth as a means of education on the concept of labor among the people; it is also of great significance in criticizing the reactionary thesis of the "gang of four" that "as long as revolution is well carried out, decrease in production is permissible." However, we cannot, because of just this, deny that under the socialist system, "labor as a means of livelihood," in addition to the general circumstances mentioned above, also refers to "labor" as "individuals' means of livelihood," which is one of the objective bases of "to each according to his work."

For society and for individuals, "labor as a means of livelihood" has different economic contents or, in other words, represents two different economic facts. There must be no confusion between them. Labor as a "condition of existence" (or a "means of livelihood") for human society is an economic fact in all societies; however, labor as "individuals' means of livelihood" is an economic fact brought about by only a certain type, but not all types, of economic relations in one certain form of society. For example, under the system of relationship between slave-owners and



slaves, the former, as individuals, lived on the exploitation of others, but never used labor as a means of livelihood. As to the slaves themselves, "labor as a means of livelihood" could not conform to reality. Therefore, under the slave system, a slave was only a kind of tool which had a faculty of speech. "In fact, he himself is property." (Marx: "Conditions Before the Birth of Capitalism," People's Publishing House 1956 p 30. Also see Marx: "Wage Labor and Capital," "Selected Works of Marx and Engels," Vol 1 p 355) Like cattle, he was only the slave-owner's property which could be sold, sent away as a gift, or used as a sacrificial object. Like cattle, slaves were counted by head. Therefore, rather than labor as a means of his livelihood, it is more correct to say that they existed only to work for slave-owners, just like oxen and horses working for their masters. Even their "right to exist" was in their masters' hands. So how can we say that they used "labor as a means of livelihood"? Again, under the system of relationship between capital and wage, the capitalist undoubtedly lives on the exploitation of others; for the workers, the situation is a little more complex. As a "free laborer," we can say that he uses "labor as a means of livelihood." However, if commodity is a form of labor power, we can see that what he sells is "labor power" instead of "labor," because "wages are not what they appear to be." (Marx: "Critique of the Gotha Program," "Selected Works of Marx and Engels," Vol 3 p 17) In other words, wages are not the price of or remunerations for "labor" but the price of "labor power." Thus, strictly speaking, a worker does not directly rely on labor, but on selling his labor power for a livelihood. It is true that for a long historical period, there have been independent small producers who lived independently on their own labor, or used their own labor as a means of living. Nevertheless, in a society based on class antagonism the fact that all members of society universally use "labor as a means of livelihood" does not, and cannot, exist. Thus "labor as a means of livelihood" can never be a fact in all economic relations. It is neither a "natural condition" nor a "natural inevitability" but something under a social and historical category.

Under the socialist relations of production, "labor as individuals' means of livelihood" is, indeed, a fact, although it has a special economic content. First, it has a universal character, meaning that all members of society are without exception dependent on "labor as a means of livelihood," and the exploiters, who gain without laboring, are not permitted to exist. Secondly, it embodies a direct economic pressure, because labor grows directly out of the need for human existence, and people work for their living. Thus there is a direct link between the means of living they obtain and the labor they offer. These two points alone are enough to show that under the socialist system, the fact that "labor is a means for individuals' livelihood" itself means the elimination of all exploitations and manifests the essence of socialist relations of production as a decisive factor. Therefore, "labor as individuals' means of livelihood" is a brand-new economic fact appearing for the first time in the history of civilized societies of thousands of years. It is an outcome of the system of public ownership of the means of production under socialism and signifies

one of the greatest and profoundest social reforms in history. Then, how can we talk only about labor as a "natural condition" for a society's existence without analyzing the social economic content of the new fact that "labor is individuals' means of livelihood" under socialist conditions!?

In addition to objective facts that productive forces have not been sufficiently developed, that social products are not yet plentiful enough and that the three major differences still exist, the need for the socialist principle "to each according to his work" rises out of a further objective factor, namely, people's need for "labor as individuals' means of livelihood" on the basis of the above-mentioned conditions. It is precisely this "factor" which, to a large extent, decides the direct relationship between labor and its remunerations. People work for "remunerations" as a direct means of living, and the amount of "remuneration" is directly decided by the quality and quantity of individual labor. Furthermore, among the decisive factors for the need to adopt the principle "to each according to his work," there is still a subjective factor, namely that people have not yet acquired the communist consciousness of working without pay, and that there exists the legal right concept reflecting the demand for exchange of equal amounts of labor. In fact, the existence of this concept is mainly decided by the economic fact that people need "labor as individuals' means of livelihood," because "it is men's social being that determines their consciousness." (Marx: "Preface to 'The Critique of Political Economy'," People's Publishing House, 1955 p 2) Then, why is it impossible to use the fact that "labor is the individuals' means of livelihood" as an objective basis for the need to enforce the principle "to each according to his work" in a socialist society? At present, "labor as a means of livelihood" used in some articles to illustrate the historical inevitability of the system "to each according to his work" actually refers to the fact that "labor" is used by the laborers as "individuals' means of livelihood."

I feel that while the principle of socialist material benefits is being vigorously propagated and implemented, it is even more necessary to emphasize the innate relationship between "labor as individuals' means of livelihood" and "to each according to his work," because the economic fact that "labor is the individuals' means of livelihood" stands for economic benefits which is of utmost concern to the laborers. Marx pointed out that after the abolition of the system of private ownership, the workers will, on the basis of public ownership, "reestablish private property for the producer." (Marx: "Kapital," Vol 1 p 832) In the socialist stage, an important element exists in the "private property for the producer," meaning "labor as the individuals' means of livelihood." For the laborer, "labor as a means of livelihood" means that remuneration for labor is their only source of livelihood. The standard living for him and his family is entirely decided by the quality and quantity of labor he offers and the amount of remuneration he receives. Therefore, for his own economic benefit, he has not only to offer more and better labor, but also demand some guarantee that the remunerations he gets are consistent with the quantity and quality of his labor. It is precisely to guarantee the laborer's personal benefits that the principle "to each

according to his work" is implemented. Numerous facts have proved that some comrades, poisoned by the ideas of the "gang of four," have practiced equalitarianism and shipped up a strong "wind of communization" to disrupt the principle "to each according to his work" and to seriously damage the people's socialist enthusiasm. In the final analysis, was not this situation brought about by their disregard of the people's material benefits and forgetting the economic fact that "labor is the individuals' means of livelihood"? From ancient times, labor has been the means of existence of the human society. Refusal to recognize the innate relationship between "labor as the individuals' means of livelihood" and "to each according to his work" is inconsistent with socialist facts and harmful to our work in wiping out the pernicious influence of the "gang of four." It is also harmful to our efforts to raise our understanding of policies and our theoretical level, and to implement the principle on material benefits and the economic policies including "to each according to his work."

Then, will the fact that "labor is the individuals' means of livelihood" remain even at the stage of communism? The answer is "No." This can be seen from several aspects. First, by that time, the productive forces will be very highly developed and social wealth will be pouring out from every source at full capacity. Laborers will no longer be compelled to work for a living. Secondly, "to each according to his work" will be replaced by "from each according to his needs." On the premise of "from each according to his ability," the workers' living conditions will no longer be directly related to the quality and quantity of his labor. Thirdly, from the aspect of social consciousness, the communist consciousness of working regardless of the amount of pay will replace the idea of working for pay, and this "replacement" reflects a new reality: labor is no longer the "individuals' means of livelihood." After all, the idea that labor is no longer the "individuals' means of livelihood" only shows that the problem of "livelihood" for individual workers is no longer a personal matter and that their conditions of living is not directly decided by the amount of their labor. However, this does not mean that people need no longer work on material production or "do not have to live on human food (the fruit of labor)." Like all societies in history, a communist society also depends on human labor as its "condition of existence" (or "means of livelihood,") the only difference being that it depends on collective labor for all laborers in opening all avenues of collective wealth in order to continually raise the social level of material and cultural well-being. Therefore, labor as a "condition of the society's existence" and labor as the laborers' "individual means of livelihood" are two economic facts with different contents. I hold that Comrade Zhao Renwei's article deserves discussion because it only recognized the former but negates the latter, and fails to see the relationship of the latter with "to each according to his work."

Finally, I would like to talk about some questions on Marxist theses. Comrade Zhao Renwei quoted relevant passages from Marx's "Critique of the Gotha Program" to show that, speaking of "labor as a means of livelihood,"



Marx considered it a "necessary condition for the existence of human society," and that, therefore, it is not right to take it as meaning that "to each according to his work" is inevitable under the socialist system. I feel that this point deserves further discussion.

Marx said in his "Critique on the Gotha Program" that in the communist stage, "labor has become not only a means of life but itself life's prime want." The labor as "a means of life" described by Marx here did refer to labor as a condition of existence for all societies. Marx talked the same way in his other works. On this point, I agree with Comrade Zhao Renwei. True, neither here nor in his other works did Marx draw a distinct line between "labor as a condition of existence for the society" and "labor as the individuals' means of livelihood"--at the least not literally. However, we cannot on this basis alone assert that under socialist conditions, there is only "labor as a condition of the existence of society" but not "labor as the individual's means of livelihood" and thus ignore the latter's relation with "to each according to his work." Furthermore, the question is: when we try to decide whether or not, under the socialist system, there is a certain relationship between the economic fact that "labor is the individuals' means of livelihood" and the principle "to each according to his work," should we base our observation on and draw our conclusion from socialist economic realities or should we use what has been said or written by Marxist writers as the criterion? Naturally, we have to use the former method. We cannot and should not expect our predecessors to prepare everything for us in full detail. It is true that Marxist writers have clearly talked of labor as "a natural condition of human existence," (Engels: "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3 p 333) but not of "labor as individuals' means of livelihood" as a fact under socialist conditions. But we must not deny the existence of this fact and its relationship with "to each according to his work."

In fact, if we try to understand Marx's viewpoint on the socialist principle "to each according to his work," not from the letters of his works but from his ideology as a system, we will clearly see that when Marx said that "except his own labor, no one can offer him anything" and "except an individual's own means of consumption, nothing else can be his own property"; when Marx talked about the principle of the "exchange of equal labor"; when Marx talked about inequality in living as a result of difference of labor and of family responsibility under the system "to each according to his work," Marx was actually using his objective fact as his starting point: Every member of society must, and can only, use "labor as the individuals' means of livelihood." According to analyses by Marxist writers, this fact will gradually pass into oblivion when social productive forces are highly developed and "to each according to his work" will be replaced by "to each according to his need." This shows that the Marxist writers have never dealt with this fact on the same basis as they did with "labor as a natural condition of existence for the society" or linked it closely with "to each according to his work." Therefore, if we use the fact that "labor is the individuals' means of livelihood" under the socialist system as one of the objective bases for "to each according to his work," we are neither countering nor misunderstanding Marx's original idea. On the contrary, I feel that only such an interpretation can be in harmony with the essential spirit of Marxist ideology as a system.



## NATIONAL ECONOMIC POLICY

### RELATIVE NECESSITY OF ACCUMULATION, CONSUMPTION DESCRIBED

Beijing JINGJI YANCHIU in Chinese No 4, 20 Apr 79 pp 8-15

/Article by Liu Suinien /2692 7151 1628/ and Zhou Ying /0719 3576/:  
"Correctly Handle the Ratio of Accumulation to Consumption, Accelerate  
the Realization of the Four Modernizations"/

/Text/ The Third Plenary Session of the 11th Party Central Committee made a great decision on the shift in emphasis of the party's work to socialist modernizations beginning from 1979. To accomplish this historical shift and to accelerate the realization of the four modernizations, it is very important for us to conscientiously sum up historical experiences and to act according to objective economic laws in order to correctly handle the proportion between accumulation and consumption in economic planning.

Since our country was founded, our people have worked hard to build the country through self-reliance, accumulated large amounts of capital funds and launched large-scale economic construction projects. A poor and backward Old China has been transformed into a socialist country with initial prosperity. To realize the four modernizations and to launch even larger construction projects hereafter, we need more accumulation, or the four modernization will become mere empty talk. However, the expansion of the scope of accumulation is regulated by the speed of increase in national income, by the production structure and by various objective material conditions as well as the increase of consumption, and cannot be decided by people's subjective will alone. There are close relationships among production, accumulation and consumption. If these relationships are well handled, they will promote one another, resulting in increased production, expanded accumulation and higher consumption; otherwise, production cannot be increased and both accumulation and both accumulation and consumption will be adversely affected. Therefore, if we want to increase accumulation quickly, we must handle these relationships well. This is a matter of concern not only for the rapid development of our national economy, but also for social stability and the consolidation of the dictatorship of the proletariat.

In the past 30 years and more following the founding of our country, we have accumulated many experiences and learned important lessons in handling the ratio of accumulation to consumption. During the First Five-Year Plan,

we concentrated our forces on industrial construction with heavy industry as the central task, while simultaneously carrying out socialist reforms on agricultural, handicraft, and capitalist industry and commerce according to the party's general line and general task for the transition period. Because of the initial foundation for industrialization laid by us, various construction projects developed fairly rapidly and people's livelihood steadily improved. On the whole, the ratio of accumulation to consumption was fairly harmonious. During the several later five-year plans, however, the accumulation rate had its ups and downs and had to be revised because of the disruption by erroneous lines, certain defects and mistakes in our work, and our failure to faithfully follow the objective economic laws. Particularly in the past few years, the serious damages caused by Lin Biao and the "gang of four" brought our national economy to the brink of collapse. Although after 2 years' effects, we have achieved great success, some important imbalances in our national economy, including the imbalance of accumulation and consumption, have not yet been completely readjusted. The ratio of accumulation to consumption involves a large area and has widespread effects, and the readjustment of this imbalance takes a certain amount of time. In order to bring our economic order on to the right track, we must quickly restore the balance. This is the only way for our national economy to improve in a steady and sustained way.

#### 1--Strive to Increase National Revenue and Accurately Assess the Speed of Economic Growth

Ours is a socialist country. To realize the four modernizations, we need a huge capital fund. Although in a certain period and under certain conditions we can make use of foreign capital, we should mainly rely on our domestic resources, vigorously increase production, practice economy and increase our national revenue. There must be high and fast increasing national revenue before we can expand our accumulation and greatly improve our people's livelihood. It would be impractical to talk about distribution as something separated from the increase of production, the practice of economy and the increase of national revenue.

Since the founding of our country, the increase of our national revenue, though fairly rapid at first, was not sustained. In fact, our average per capita income has even decreased. After smashing the "gang of four," a political situation of unity and stability prevailed throughout the country, and our national economy began to recover and develop quickly. We are now entirely capable of accelerating the increase of production and national revenue.

As everyone knows, the increase of national revenue is decided by three factors: First, increasing labor; second, raising labor productivity; and third, saving from consumption of the means of production. Ours is a large country with a population of 800 million and rich labor resources. We have not yet given full scope to this gigantic labor force, and this situation must be quickly changed. In the countryside, our main effort should be directed at the development of a diversified economy and industry

at the commune and production brigade levels, or the experimentation of joint agricultural and industrial enterprises in locations where conditions are favorable. In the cities, we should mainly strive to open new avenues for production and create more jobs for people, such as by developing new industries, staffing the scientific and technological departments, starting urban construction projects and so forth. At the same time, we should effectively replenish our work force, reduced by retirements and resignations of our workers. After all, we should adhere to the principle of "overall consideration and proper arrangement" so that everyone can fully employ his talent with benefits to all concerned. We must also use labor power resources in a rational way and fully tap the potentials of labor power.

However, there can only be limited increase of labor within a certain time, so the way to increase national revenue is to raise labor productivity and to lower material consumption. This is particularly necessary because of disorderly management in many enterprises as shown by the disorganized manpower, the unlimited material expenditure, the lack of statistics on consumption, and the absence of cost accounting. As a result, labor productivity was low, and this situation is quite serious. If we want to build socialism with greater, faster, better and more economic results by relying only on the increase of workers without raising their productivity, the development of production cannot be fast. For example, during our First Five-Year Plan, the average annual increase of the total industrial output value was 18 percent, and the average increase of productivity throughout the country was 8.7 percent. Fifty-nine percent of the increase of industrial production was due to the rise of labor productivity. Conversely, during the first 3 years in the Second Five-Year Plan, there was a vigorous increase in the number of workers in industrial departments, and the "human sea tactic" was adopted in a big way. The increase of production entirely depended on the increased number of workers, but the labor productivity decreased instead of increasing. As a result, the first line of agricultural production was much weakened, with adverse effects on agriculture. Because of the failure of agriculture to keep pace with industry, the number of workers had to be reduced, thus slowing down industrial production as well. This is a serious lesson for us. However, some comrades failed to conscientiously sum up historical experiences, and believed that in order to develop production, more people were needed. No effort was made to raise labor productivity. Among some departments, production in the past few years still relied on the desperate efforts of increased workers. In metallurgy, coal, forestry and other important industrial departments, labor productivity has not yet reached the top level of the pre-great-cultural-revolution period. Then how can the increase of production be sustained? And how can we give full scope to the superiority of our socialist system? After 2 years of readjustment, material consumption has been lowered in many enterprises down to, or even below the lowest level in our history. But not many enterprises can give the same performance and, compared with the world level, there is still a big gap. Because of high consumption, poor quality of products and great wastes of raw materials, fuel and power, a shortage of raw materials, fuel and power seriously affected the development of production. There was also a similar situation in the rural communes and



production brigades and teams. At present, agriculture still mainly relies on manual labor, and labor productivity is very low. Since the expenses on agricultural production was high in many communes, production brigades and production teams, increase of production does not mean increase of income. Unless these conditions are changed, the increase of national revenue cannot be fast. The principal means for us to increase national revenue now is to greatly raise labor productivity and lower material consumption. Therefore, we must first conscientiously implement the party's policies, and give full play to the socialist enthusiasm of the broad masses of workers and peasants. Secondly, we must study hard, strive to improve our economic management and the management of our enterprises, communes, production brigades and teams. The enterprises must strengthen economic accounting and strive for real economic results. We must streamline our labor organization, set practical limits for the use of manpower and materials, even up labor forces in different units, reduce the number of nonproductive personnel, and fully tap all potentials. We must also endeavor to keep all units adequately supplied with equipment for production and make full use of our present available equipment. Since increase of production and practice of economy deserve equal attention, we must launch widespread mass movements to increase production and practice economy, popularize the methods of fuel and power rationing and lower the consumption of material. In the supply of materials, the availability of key items must be insured and attention must be paid to their quality. Management must be strengthened so that important materials are not used on minor jobs and good materials are not wasted on crude items. Thirdly, we must strengthen scientific research, adopt new technology and new techniques, and raise technical efficiency. In science and technology, we are now generally 1 or 2 decades behind the advanced world level, and even further behind in certain areas. We must endeavor to catch up with it. We will have to rely mainly on our own strength in developing mass wisdom and creativity and giving full scope to the professional skill of our scientific and technical personnel, while we are on our march toward the goal of modern science and technology. At the same time, in some major departments and some main sectors of productions, we should selectively import advanced techniques, beginning with the advanced techniques of the 1970's. Fourthly, we must train our workers and raise their technical skills.

Our job is to make every effort to increase production and national income. However, in working out plans, particularly long-range plans, we must carefully estimate the potentials of economic development and national revenue increase. Underestimation will unduly lower the rate of accumulation, resulting in large amounts of consolidated surplus and excessive storage with adverse effects on economic growth. Overestimation, on the other hand, will lead to over-accumulation. If production cannot reach the expected level, agriculture, light industry and consumption may suffer, resulting in imbalance between accumulation and consumption. We have had an unfortunate experience of setting unnecessarily high goals, and this lesson must be remembered. We must be aggressive in work and the measures taken must be forceful; yet in setting our goals, we must leave some leeway. In this way, we will have greater initiative. In planning, we must not regard a high



goal as an indication of revolutionary fervor and treat seeking truth from facts as a sign of rightist conservatism. Different conditions exist in economic development at various stages and in different years, and the speed of the development may vary; in planning, however, we must be careful that it is based on steady economic growth and that there will be no serious fluctuations. In this way, we can avoid great economic upheavals and serious problems in the ratio of accumulation to consumption.

## 2--Overall Consideration of National Construction and People's Livelihood and Rational Planning for Accumulation Rate

In our socialist country, the relationship between accumulation and consumption is one of contradiction as well as of unity. In order to handle this relationship well, we must proceed from the reality that we have a population of 800 millions and note the people's low standard of living before working out an overall arrangement for both national construction and people's livelihood. Accumulation is the means for expanding reproduction and provides the material foundation for raising people's consumption. It embodies the basic interests of the whole people. Along with the increase of national revenue, the scope of accumulation should gradually expand, and the rate of accumulation raised within a certain limit in order to accelerate reproduction. Because of the disruptions by the "gang of four" in the past several years, our debt to the people is rather heavy, and this problem must be gradually solved. However, much capital is needed for accelerating the realization of the four modernizations. It is therefore necessary for us to continue to develop the spirit of hard working. In production and construction or in starting any undertaking, we must be diligent and frugal in order to save every penny and any small amount of material to be used for socialist construction. It is incorrect to be concerned with only the immediate benefits for the people by ignoring the need to increase capital accumulation.

However, this does not mean that the accumulation rate can be raised without limit. Some comrades held that the higher the accumulation rate, the faster will be construction. Therefore, they one-sidedly endeavored to raise the accumulation rate and blindly advocated the expansion of capital construction, thinking that in so doing, they could speed up economic development. Practice has proved that this viewpoint is entirely erroneous.

First, excessive accumulation and disregard of consumption will not only dampen mass enthusiasm for production, but will also hinder the realization of accumulation. The purpose of increasing accumulation and developing production in our socialist country is to meet the daily increasing needs in our people's material and cultural life. Under normal conditions, we should improve the people's livelihood each year on the basis of developing production. If the people toil for a long time with no material benefit in sight, they may doubt the wisdom of working hard or the superiority of the socialist system, and become lax in production. Lenin said: "It is impractical for accumulation 'not to rely on' the production of consumer goods, because for increasing production, we need new variable capital and therefore need consumer goods." (Lenin: "On the So-called Market Problem" "Collected Works of Lenin" Vol 1 p 68) If we one-sidedly increase accumulation, the increase cannot be sustained after reaching a certain limit. Even though there is a temporary upswing, a decline will follow.

Secondly, if the accumulation rate is too high, the scope of capital construction will also be over-expanded, causing strain on the supply of the means of production and adversely affecting investment results. Both accumulation and consumption funds need adequate material backing. In working out plans, we must see that the scope of capital construction basically corresponds with the increase of the means of production and that the improvement of people's livelihood basically corresponds to the increase in the production of consumer goods. If excessive funds are allocated for accumulation in our planning, the scope of capital construction will also be excessive; the battleline will become too long and cause strain on the supply of materials and equipment. To protect capital construction, it will then be necessary to neglect maintenance of the means of production, the agriculture and light industry markets and the people's livelihood. Since the scope of capital construction is too large for our concentration of efforts, many projects will drag on and the increase of unfinished projects will produce pressure because excessive haste means less speed. Therefore, the scope of capital construction must be rationally planned with due regard for necessity as well as feasibility.

Thirdly, an unduly high accumulation rate will lead to imbalance among agriculture and light and heavy industries. To meet the need of high accumulation, it will be necessary to produce more means of production, and investments will be excessively used on heavy industry, which will take up more labor power, materials and equipment, while manpower, material and financial resources for the agriculture and light industry departments will be correspondingly reduced. As a result, the development of agriculture and light industry will be affected.

After all, an unduly high accumulation rate will not only fail to accelerate the development of the national economy, it will even slow it down. Furthermore, the rapid rising of an accumulation rate will inevitably be followed by its fall. For example, the situation during the first 3 years in the Second Five-Year Plan was good; however, because we did not know enough of the objective economic laws and the overall balance was not well handled, the goals for industrial and agricultural production were set too high and the scope of capital construction was too large in our planning. The accumulation rate was also too rapidly raised and the allocation of accumulation funds for heavy industry was excessive. Consequently, the development of heavy industry was too rapid, while agriculture, after the 1958 bumper harvest, declined by a big margin year after year because of high state procurement, blind commandism, the "wind of communization," and serious natural disasters. This led to a serious imbalance in our national economy. In the second half of 1960, the Party Central Committee promptly put forward the principle of "readjustment, consolidation, filling-in and raising standards," adopted resolute measures to strengthen agriculture and the supports for agriculture, reduced the capital construction and heavy industry projects, readjusted the ratio of accumulation to consumption and the proportion among agriculture, light industry and heavy industry, and thus enabled our national economy to develop in harmony on a new foundation.

Therefore, the view that "the higher the accumulation rate, the greater the speed" which one-sidedly strives for high accumulation is theoretically erroneous and practically harmful. At present, our accumulation rate is a little on the high side and is disadvantageous to production and construction. This should be properly readjusted. Based on present conditions in our country, we hold that the accumulation rate for the next several years should be less than 30 percent. In planning, we must integrate national with individual interests, and long-range with immediate benefits. On the basis of striving for increased national revenue, we should also consider the needs of both accumulation and consumption so that the absolute amounts for both accumulation and consumption funds can be increased. As to priority in planning, we should consider the people's livelihood before capital construction. If we first make suitable arrangements for the people's clothing, food, housing, utilities and travel, and provide a stable living for the people, everyone will be pleased and will participate in socialist construction with great enthusiasm. Labor productivity will then be greatly raised. Furthermore, with development of capital construction freed from further worry, the state will be able to accumulate more to expand construction. We should also note that in a certain period, say 1 or 2 years, and perhaps 2 or 3 years, the increase of production and the change on the structure of production are only limited. There should be stability in the accumulation rate with only a minor change each year. It is necessary to avoid violent fluctuations which may cause unnecessary damage to the national economy. We should guard against blind optimism when there is a good harvest. We should not arbitrarily expand the scope of construction; instead, we should fully recognize the difficulty of solving our agricultural problems and pay attention to the need for good harvests to make up for the poor ones. At the same time, the problem of fixing a rational ratio of accumulation to consumption is a complex one, and our experience is still inadequate in this respect. We may not be able to work out an appropriate arrangement on the first attempt, and problems may not be detected within the same year. Therefore, we must be careful to study and analyze the current development of the national economy and make timely adjustments as soon as the accumulation rate is found to be unsuitable. In this way, the harmonious relationship between accumulation and consumption will be preserved. If we cannot nip problems in the bud but, instead, wait until the accumulated problems become salient contradictions, we will have to do a lot of hard work later.

### 3--Rational Allocation of Accumulation To Insure the Harmonious Development of Agriculture, Light Industry and Heavy Industry

Production decides distribution, but distribution also has its countereffects on production. The ratio of accumulation to consumption is regulated by two major categories of social production, but the allocation of accumulation can also change these social production components in the following year and provide the material conditions for changing the ratio of accumulation to consumption. Social production is divided into two major categories, namely the means of production and consumer goods. This is a concise theoretical summation. In actual economic life, production is classified



and organized according to the roles played by agriculture, light industry and heavy industry. Since agriculture and light industry mainly provide consumer goods as the ultimate form of production, while heavy industry mainly provides the means of production, the ratio among agriculture, light industry and heavy industry basically reflects the ratio between the two major categories of social production. Therefore, by changing the ratio of distribution among agriculture, light industry and heavy industry in our planning, we can also change the production structures of the two major categories in the following year. Whether or not the allocation of investment on agriculture, light industry and heavy industry is appropriate; whether or not the allocation can contribute to the harmonious development of agriculture, light and heavy industries; and whether or not the ratio between accumulation and consumption can be suitably arranged in the following year, are all important questions.

Then how can we rationally plan the ratio in investment in order to insure the harmonious development of agriculture and light and heavy industries? After summing up the experiences of socialist construction at home and abroad, Chairman Mao formulated the general policy of developing the national economy "with agriculture as the foundation and industry as the leading factor" which, after recognizing the priority of heavy industry, called for the simultaneous development of industry and agriculture as well as light and heavy industries. He also pointed out the need to plan for the national economy in the order of agriculture, light industry, and then heavy industry. In planning for the investment on capital construction, we should first make suitable arrangements for improving people's living conditions and then allocate the investment funds to agriculture, light industry, and finally heavy industry. There should be a good balance among them according to the order of priority. We cannot first of all allow heavy industry to take up a large share of the investment and let the other two step aside. Of course, if we want to continue the expansion of accumulation and realize the four modernizations by accelerating the development of agriculture, light industry, national defense, science and technology, we must attach great importance to heavy industry, which is the key to our national economic development. There should be no doubt on this point.

However, is it true that if more investment is allowed for heavy industry, this industry will develop faster and there will be greater advantages for the four modernizations? Is it true, as some comrades claimed, that as long as heavy industry, particularly the production of steel and iron, is a success, we will have the initiative in economy? Practice has proved that this is not true.

The reason is that if heavy industry is developed in an isolated manner, it will inevitably be separated from the agricultural foundation and adversely affect the development of heavy industry itself. Agriculture is the foundation of national economy. Marx said: "Labor productivity exceeding the individual requirements of the laborer is the basis of all societies." (Marx: "On Capital" Vol 3 p 885) In any society, the development of



industry and various other economic and cultural undertakings depends ultimately on how much food, raw material, productive force and market can be provided by agriculture. Light industry can provide rich and varied consumer goods for people's livelihood, and accumulation fund for national construction. Therefore, after the development of agriculture and light industry, heavy industry will have capital and market, and can develop quickly, while the people's livelihood will be safeguarded, resulting in an even more solid foundation for the further development of heavy industry. If we apply the same methods for developing heavy industry as we do for developing agriculture and light industry, industrialization can only be accelerated, but not slowed down. Therefore, in planning the allocation of funds for capital construction, we must also consider the needs of agriculture and light and heavy industries in order to speed up their development. Only thus can we create the material basis for correctly handling the ratio between accumulation and consumption.

In allocating funds for agriculture and light and heavy industries, the question of whether or not heavy industry should have a larger share should be decided by the specific conditions of different times. For example, during our First Five-Year Plan, land reform had just been completed in the countryside, and productive forces were liberated. The potentials for production increase were great. Light industry too had a foundation, and a lot of machines were not yet fully utilized. However, a salient problem was that heavy industry had only a weak foundation. Under such conditions, we had to concentrate our forces on developing heavy industry, and a greater share of investment for this industry was necessary. At that time, the funds allocated for heavy industry amounted to 46.5 percent of the total investment, while light industry had 3.9 percent and agriculture had 7.8 percent. These allocations basically insured the harmonious development of agriculture, and light and heavy industries. However, by the end of the First Five-Year Plan, the share allocated for heavy industry seemed too large, and in 1956, Chairman Mao, in his report "On the Ten Major Relationships" pointed out to the whole party the need to strengthen agriculture and light industry, and to correctly handle the relationship between agriculture and light and heavy industries. Now, after nearly 30 years' construction, we have initially established an independent and fairly complete industrial system. The total industrial output value exceeded that of agriculture, and the total output value of heavy industry exceeded that of light industry. However, in these years, investment on heavy industry is still proportionately higher than it was during the First Five-Year Plan. This seems a little too high. At present, agriculture and light industry have not yet developed to the extent of adequately meeting the needs for improving people's livelihood. Agriculture is particularly weak and has brought about the main contradiction in our national economic development. Therefore, the communique of the Third Plenary Session of the 11th Party Central Committee pointed out: "The whole party should concentrate its main energy and efforts on advancing agriculture as fast as possible." How to change the present backward state of agriculture and light industry? Some comrades held that the cause of the present backwardness of agriculture and light industry is the insufficient supply of steel, timber, cement,

farm machines, chemical fertilizer, fuel, power and equipment for light industry. Therefore, in their opinion, it is necessary to speed up the development of heavy industry in order to strengthen the support for agriculture and light industry. Thus, by continuing to pay excessive attention to heavy industry, this industry will, as a result, be more and more separated from agriculture as its foundation, and finally the development of heavy industry and the whole national economy will be affected. We hold that at present, more manpower and material and financial resources should be allocated for further strengthening agriculture and light industry so that they could be vigorously developed within a short time to meet the needs of heavy industry's development. In the allocation of funds for capital construction, we should rationally raise the proportion for agriculture and light industry and lower that for heavy industry. In any case, it should not be more than it was during the First Five-Year Plan.

In the distribution of accumulation, we should also be careful in rationally fixing the ratio of production accumulation to nonproduction accumulation. In allocating funds for capital construction, we should specifically handle the relationship between the "bone" and the "flesh," meaning that while planning productive construction, we should also make suitable arrangements for workers' dormitories, schools, hospitals and the commercial network. These jobs are already overdue, and we must catch up on them. Of course, it is impossible to clear up in one morning what has been left for years. Yet we should strive to create the conditions for them to be carried out in a planned way.

#### 4—Correctly Formulating Various Important Policies for Distribution, Work Out Suitable Plans for National Revenue

The ratio of accumulation to consumption was the final outcome of the first distribution and then the redistribution of national revenue. The first distribution of national revenue is carried out among productive enterprises. The redistribution has to go mainly through a process of state budgeting, pricing, credit and other service trade activities. In distribution, the questions of what policy to adopt on such aspects as tax, profits, price, wage and the distribution of benefits from the collective economy; and how big a portion of the national revenue should be budgeted by the state for this purpose, are closely related with the question of whether or not the ratio of accumulation to consumption is correctly planned.

The national budget plays the main role in the redistribution of national revenue. The portion of national revenue concentrated in the budget will be partly used by the state on socialist construction, such as capital construction, the increase of circulating capital, national savings and so forth, and partly on social consumption, such as cultural and educational activities, public health, social welfare, national defense, government administration and so forth. The amount of national revenue concentrated in the national budget should be appropriate. If it is too little, it cannot meet the various needs; if it is too much, the demand on the state will be so great that it cannot take care of both collective and individual

interests, and may easily overexpand the scope of capital construction, which will lead to an excessively high accumulation rate. Therefore, greater concentration does not necessarily mean greater advantage for economic development.

Our policies on taxation, pricing, profit, wages and the distribution of collective economic benefits should be concerned with the interests of the state, the collective and the individuals. While guaranteeing the necessary capital fund for socialist construction, they should also gradually improve the people's livelihood.

**Taxation.** Our country collects no income tax. Toward the peasants, we have all along adopted the policy of easing their burden. Recently, the Third Plenary Session of the 11th Party Central Committee proposed that for a fairly long period to come, the national figures for the agricultural and the state purchase of grain will continue to be based on the five-year quotas 1971-1975. The Ministry of Finance also stipulated that starting from this year, tax will be further reduced for the agricultural communes, production brigades and production teams, and has worked out new concrete measures of tax reduction. It is estimated that the countryside's income throughout the country will be increased by more than 1 billion yuan each year. These measures will positively promote the development of agricultural production and improve the peasants' livelihood.

A very important question in the policy on pricing is to correctly handle the price parities between industrial and agricultural products. This question concerns not only the accumulation of capital for socialist industrialization and the improvement of people's livelihood, but also the consolidation of the industry-agriculture alliance. Since the founding of our country, the party and the state have adopted the policies of narrowing the price scissors between industrial and agricultural products, increased the state purchase price on agricultural products and lowered the price of means of production for agriculture in a planned way. This readjustment of prices has resulted in many advantages for the peasants. However, because we did not have a good knowledge of the functions of the laws of value and usually failed to make timely readjustments according to the changing cost prices of industrial and agricultural products, the "price scissors" widened in the past several years. The Third Plenary Session of the 11th Party Central Committee has decided to further reduce the disparity in prices between industrial and agricultural products. This is an important decision in readjusting the industry-agriculture relationship and the ratio between accumulation and consumption, and will certainly further arouse the peasants' enthusiasm in production besides promoting the development of the national economy.

Wages should be suitably increased on the basis of increased productivity in order to promote labor enthusiasm. However, the rate of wage increase should be below that of the rise of labor productivity. At the same time, in raising wages, consideration should be given to the possibility of increase in agricultural and light industry production in order to maintain a balance of purchasing power and supply of consumer goods. Consideration



should also be given to the peasants' consumption level so that the disparity between the workers' and the peasants' consumption will be further reduced. In distribution, the socialist principle "from each according to his ability and to each according to his work" should be conscientiously upheld. There must also be a relationship between the result of the workers' labor and the enterprises' management on the one hand and the amount of remuneration for individual workers on the other, so that workers will take a personal interest in collective production.

Concerning the distribution of economic benefits of economic benefits of collective economy, Chairman Mao pointed out: "We must properly handle the three way relationship between the state agricultural tax, the cooperative's accumulation fund and the peasants' personal income, and take constant care to make readjustments so as to resolve contradictions between them." (Mao Zedong: "On the Handling of Contradictions Among People," "Selected Works of Mao Zedong," Vol 5 p 380) On this question, we can neither one-sidedly take care of the immediate benefits of the individual commune members nor let them "eat all and divide all" without leaving anything for accumulation or even for retention as production expenses, because this will hinder the collective's economic development and harm their long-range benefits. However, accumulation cannot be excessive; otherwise it will interfere with the improvement of the peasants' livelihood and dampen their enthusiasm in production. We "should do everything possible to enable the peasants in normal years to raise their personal income annually through increased production." (Ibid) At the same time, we should "use good harvests to make up for poor harvests," meaning that we should accumulate more in good harvest years, and accumulate less, or none at all, in poor harvest years in order to provide a stable livelihood for the commune members and then improve it every year. At present, we must exercise particular care in dealing with the problem of increasing production without increasing income, strive to reduce the burden of communes, production brigades and production teams, improve business management, reduce production expenses and increase the commune members' share in distribution.

After all, we must correctly carry out the main policies on distribution and plan for a rational proportion between accumulation and consumption as an important part of our work.

### 5--Strive To Raise Efficiency in Using Accumulation and Accelerate the Expansion of Reproduction

Speed in the expansion of reproduction is decided not only by the amount of accumulated fund, but also by the way it is used. Conditions are now favorable for raising accumulation, so we must make good use of this opportunity to develop socialist construction with greater, faster, better and more economic results.

How to use accumulation efficiently? At present, the following points should deserve particular attention:



First, speed up the cycle of circulating capital and reduce its amount. The accumulation fund includes fixed asset accumulation. Marx said: For capital, "the more the time of circulation is equal to zero, or approaches zero, the more does capital function, the more does its productivity and the self-expansion of its value increase." (Marx: "Capital," Vol 2 p 142) To expand reproduction, there must be sufficient additional circulating capital. However, possession of too much circulating capital will cause stagnation and affect the speed in expanding production. The amounts of circulating capital being used now by our industrial, agricultural, commercial, transportation and construction departments are quite large, but the way they are being used is far from ideal. In some cases, there are stagnations; in others, the amounts are insufficient. Therefore, we must strive to accelerate the turn-around of circulating capital funds and lower reserve funds to a rational level. This makes it imperative for the production departments to produce strictly according to social needs and to fix the amount of production on the basis of consumption. They must also do their best to coordinate production directly with demands and reduce the number of sectors in the process of material circulation. Enterprises should strengthen economic accounting and bear the economic responsibility for the use of state capital funds.

Secondly, plan rationally for capital construction projects in order to bring quick investment results. To accomplish this purpose, we, as mentioned above, should first rationally define the scope for capital construction. To a certain extent, rational planning of construction will make it possible for us to concentrate our efforts in bringing about better investment results. In planning for the capital construction projects, the following points should be particularly noted: First, we must be cautious with new capital construction projects and avoid over committing ourselves. After deciding on a capital construction project, especially a big one, we must carry out repeated economic comparisons, work out rational arrangements and ascertain the availability of the production process and cooperation from other units. It can never be started rashly. We must be sure that every project is completed and ready for operation on schedule so as to avoid long drawn out battle lines which will scatter our manpower and material and financial resources, and result in a large number of unfinished, probably permanently unfinished, projects. There are now many capital construction projects being undertaken, and we must determine which are light, which are heavy, which are urgent, and which can wait; and classify them accordingly. We must have the determination to stop working on one group and slow down on another in order to protect the rest.

Secondly, plan well the proportion of investments among different projects, such as new construction, prospecting, innovation and remodeling. Since the founding of our country, there has been a large increase of our industrial fixed assets. However, the existing productive forces have not been fully developed. In the next several years, the growth of industrial production will mainly rely on the present foundation, and we must fully tap its potentials and carry out innovation, remodeling and other projects which, compared with new construction, require less investment but yields quicker and greater

benefits. This principle has been affirmed for a long time, and now we must conscientiously study the method of carrying it out in practice. Of course, new industries should be developed to fill some gaps or to make up some shortcomings. Therefore, some backbone projects are required for new construction. Yet investment on them should not be too high. This policy is even more necessary with regard to importing new technology and complete sets of equipment.

Thirdly, the proportion between large-scale on the one hand and small and medium-size projects on the other should be carefully worked out. Modern large enterprises are the backbone elements of economic construction and should deserve particular attention. However, these enterprises call for greater investment and cannot be put into operation soon enough because of their long construction cycle. We must attach great importance to those enterprises that call for less investment but yield quicker and greater profits, and can quickly become a productive force to provide products and offer more benefits for the society. Marx said: "On the basis of socialized production, the scale must be ascertained on which those operations--which withdraw labor power and means of production for a long time without supplying any product as a useful effect in the interim--can be carried on without injuring branches of production continually, or several times a year, but also supply means of subsistence and of production." (Marx: "Capital," Vol 2 pp 396-397) In order not to injure those branches of production mentioned by Marx, we must regulate the proportion of investment on large projects. Only thus can we raise the proportion of newly increased fixed assets in the total investment on capital construction and bring about better investment results.

Thirdly, capital construction must be fully equipped to be used to the best advantage. In planning for a main engineering project, we should also carry out supplementary projects and auxiliary construction. We must think of not only the harmonious cooperation among different sections of an enterprise, but also its coordination with external conditions. If a completed factory finds itself without the necessary raw materials; a completed power plant finds itself without the necessary fuel; and a completed coal mine finds itself without the necessary manpower, the waste will be tremendous.

Furthermore, we must strengthen geological prospecting and other geological work beforehand. We must also do better in scientific research, energetically train construction personnel, adopt new technology to the maximum extent, and strive to improve management. These measures are quite important for achieving better investment results.

National revenue is a comprehensive reflection of national economic development, and the proportion between accumulation and consumption plays a very important part in the national economy. To strengthen the overall balance for our national economy, we must carefully plan for national revenue and a rational proportion between accumulation and consumption. In the past few years, we

did not pay sufficient attention to national revenue planning, and did not carry out sufficient research on the proportion between accumulation and consumption. This situation must be quickly changed. Of course these are complex tasks, and we are still in the stage of probing. We must conscientiously sum up our experiences, strive to do better in planning, and quickly adjust various proportions in the system of our economy in order to suit the requirements of the shift of emphasis of party work and to accelerate the four modernizations.

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## NATIONAL ECONOMIC POLICY

### PAYING FOR USE OF FIXED ASSETS ADVOCATED

Beijing JINGJI YANCHIU in Chinese No 4, 20 Apr 79 pp 16-24

[Article by Liang Wensen /2733 2391 2772/ and Thien Jianshai /3944 3068 3189/:  
"On the System of Paying for the Use of Fixed Assets"]

[Text] How to make our national economy better suited to the needs of the four modernizations is an important question for our economic theorists at present. Fixed assets are an important component of the means of production and a necessary material condition for social reproduction. Improvement of the management of fixed assets and promotion of their utilization are important factors in the reform of the entire economic management system. According to the system of economic management in China in the past, control over fixed assets was most unsatisfactory because for a long time, these assets were used without pay. This system has serious defects and is in urgent need of reform. Now let us comment on the system of unpaid use of fixed assets.

#### The Harms of the Unpaid Use System

Since our country was founded, we have all along adopted the system of unpaid use of fixed assets. The state supplies fixed assets to be used by enterprises free of charge and permits the enterprises to transfer these assets among themselves without charge to the receiving party or any economic or legal responsibility to the state.

This management method is an epitome and a profile of our country's current system of economic management with deep historical roots. First, it was an exact copy of the Russian method in the early 1950's. According to the economic theory of the system of ownership by the whole people, everything should be formally under state control, and enterprises under this system of ownership are not permitted to own anything. The receipt and disbursement of capital funds were under a unified system; materials were purchased from the capitalist enterprises and distributed by the state; and the supply and transfer of machinery and equipment were centrally controlled. Though used by enterprises free of charge, everything is centrally owned and



managed by the state in a rigid and inflexible manner. Planned economy was considered irreconcilable with market economy, and no attention was paid to the active roles played by the relationships among commodity, money, and other economic levers such as price, tax and credit. Secondly, it is an age-old method "born and grown up in the native soil" of our country. The many features of our fine revolutionary traditions should be affirmed and developed; yet it cannot be denied that Old China was an economically backward country lacking in large-scale modern production and in commodity currencies. During the democratic revolution, material resources were very limited and the revolutionary war was going on. Under these special conditions, a system of rationing was enforced among the cadres and the rank and file. This system lasted until the early post-liberation days, and people were ideologically accustomed to the overall rationing system and the practice of reporting actual expenses. There was no economic accounting system. By the time of socialist construction, it followed the Soviet Union's example. Therefore, it was by no means coincidental that in economic management, the state has for a long time adopted the system of unpaid use of fix assets, or the rationing system.

This method of management does not follow or utilize objective economic laws, and is a purely administrative procedure. As a result, it encourages the growth of bureaucracy which is divorced from reality, and the enterprise' economic activities for reproduction have to be mechanically decided by "the superior's will." Under this system of management, there is no way to find out how effectively fixed assets have been used. Whether an enterprise possesses many or few such assets and whether these assets have been well or badly used would make no difference, because there is no distinction between responsibility and right and consequently no fair reward or punishment. The enterprises need not work out any plan for the maximum utilization of fixed assets and have actually no idea of economic accounting of them. Under this system, the enterprises would all join in a scramble for equipment in expanding production. As soon as the equipment is on hand, they never care to use it to the best advantage. They would rather leave the equipment idle than transfer it to another unit.

According to our investigation, the general confusion in the control and use of fixed assets by enterprises in our country can in summary be qualified by these four words: slow, low, poor and wasteful.

Slow. This slowness is caused by the failure to make good use of equipment. Investigations have revealed that the amount of slow, or idle equipment, has increased every year, and that the amount is becoming an ever-increasing proportion of the total productive fixed assets. According to incomplete statistics, the total amount of slow assets is almost equal to one-third of our total annual investment on capital construction. In 1972, the total fixed assets not in use, or not actually required, in Beijing Municipality amounted to 2.5 percent of all fixed assets, or 2.8 percent of all productive fixed assets in the country. In 1977, they rose to 3.6 percent and 4.1 percent, representing increases of 44 percent and 54 percent respectively. In some

systems, the percentage was doubled or even increased tenfold. The value of slow assets was quite considerable because some of them were high precision and specialized items. This means that a very large portion of instruments of labor were cut off from social reproduction.

**Low**, meaning low utilization of equipment. Aside from the slow assets, some productive fixed assets were not much used by the enterprises, unless they were among those used in a continuous process of production or were complete sets of imported equipment. The low rate of utilization is particularly noticeable in the machinery trade. According to investigations on some Beijing factories, the utilization rate of some machinery is below 30 percent, others below 10 percent, and still others even down to about 2 percent. Incomplete statistics by 8 different industrial bureaus also revealed that among the 1,261 sets of heat treatment equipment, the utilization rate of the box type furnace was only 30 percent, while that of high frequency tempering furnaces was only 15 percent. This means that a large portion of instruments of labor have not been fully utilized in the production process.

**Poor**, meaning poor economic results of the use of fixed assets. In the past 10 years, the amount of state investment on capital construction was quite large, and much capital fund has been used on renovating or remodeling. In appearance, the increase of fixed assets has been quite rapid, but the profit derived from this source has not correspondingly increased. The fixed assets used by state-run industrial enterprises throughout the country in 1977 increased by 160 percent over that of 1966, but the amount of profit handed over to the state increased by only 40 percent. In 1977, the value of surplus produce (including profit and tax) realized for every 100 yuan's worth of industrial fixed assets was 36.5 percent below that of 1966. Had the 1966 level of tax and profit of state-run industrial enterprises been maintained, the national revenue for 1977 would have been increased by tens of billions of yuan. According to investigations conducted in Beijing Municipality, the tax and profit for every 100 yuan's worth of fixed assets used by industrial enterprises in the municipality in 1977 was 38.3 yuan, which means a reduction of 25.7 yuan below the 64 yuan of 1970, or a drop of 40.2 percent. In the metallurgic system, the reduction was 47.5 percent. This shows that although fixed assets have been greatly increased in the past 10 or more years, production and profit have not been correspondingly raised.

**Wasteful**, meaning waste of fixed assets. This was manifested as: first, unsuitability of equipment because of faulty planning and installation, resulting in its being abandoned as loss; secondly, work stoppage because of poor planning and the large number of unfinished projects tying up fixed assets and wasting their productive power; thirdly, their exposure to weather because of the shortage of warehouses for slow assets which gradually become heaps of metal scrap. The Beijing No 2 Chemical Industrial Plant had more than 140 million yuan's worth of slow assets left to corrode and become covered with growing grass. By now, less than 10 percent of them can be used. This is a plain waste of large amounts of material forces.

Under the leadership of Comrade Mao Zedong's revolutionary line and after 30 years' socialist construction our fixed assets in 1978 were more than 20 times those of 1950. This increase has laid a strong material and technological foundation for developing our national economy. However, the afore-said characteristics of our fixed assets, which are slow, low, poor and wasteful, have greatly hindered the role of this strong material and technological foundation. These characteristics deeply reflect the following contradictions: fixed assets continue to increase in scope and speed, but a large number of machines are rarely used or left completely idle; the accomplishment of the four modernizations makes it imperative that production be increased at high speed, but the utilization of machinery is low; the state is short of funds for production and construction, but large quantities of fixed assets are wasted. These contradictions become increasingly acute because of the disruptions by the "gang of four." Why all these contradictions? The answer, in our opinion, should be discovered from the system of management over the unpaid use of fixed assets.

The system of unpaid use of fixed assets is basically unsuited to modern production. It strongly suppresses the enterprises' initiative and enthusiasm, obstructs the improvement of technology, and seriously affects the speed of social production development. Essentially, this is a reflection of the disparity between the relations of production and productive forces and between the superstructure and the economic base in the control system of fixed assets. We must have the determination to change the system of unpaid use of fixed assets to the system of paying for their use.

#### The Advantages of the System of Paying for the Use of Fixed Assets

Paying for the use generally refers to returning them to the state, or paying tax or charges, or all of them. In the case of unpaid use, it means nonreturn and nonpayment of tax or charges. The system of paying for the use of fixed assets, in our opinion, should include these two aspects: first, the state should collect tax from enterprises on the use of fixed assets; and secondly, for transfers of fixed assets among the enterprises owned by the whole people, the receiving party should pay certain prices. At the same time, as a means of effectively implementing this system, we must set the profit rates of fixed assets (or the profit rate of capital) of an enterprise, and if the quota is overfulfilled, a certain part of the profit should be kept by the enterprise.

The system of paying for the use of fixed assets means the use of economic means to reform economic management and to develop the role of economic organizations. By this means, the enterprise is held economically responsible for the use of fixed assets and at the same time entitled to be resulting economic benefits. Thus the effective, or ineffective, management and use of fixed assets will be linked with the material benefits of the enterprise personnel. This system has the following advantages over the system of unpaid use:

First, it facilitates comprehensive and complete economic accounting.



Comrade Mao Zedong pointed out: For circulating capital and fixed capital, "there must be a strict economic accounting system before we can thoroughly test whether an enterprise's business is profitable or not." (Mao Zedong: "Economic and Financial Problems," Jiefangshe 1944 p 114) Now, there is only economic accounting for circulating capital among the enterprises, but not for fixed capital. So in fact, this can only be called a half economic accounting system. The finance section of enterprises is only concerned with bookkeeping on fixed assets, nominally guaranteeing that state properties are fully accounted for, but paying no attention to the result of their utilization. In fact, fixed assets are not treated as a content of economic accounting. Since the state "receives and pays" on behalf of the enterprises with regard to capital funds and "buys and sells" for them with regard to materials, the enterprises have no independent capital funds and no proprietary rights over fixed assets. Therefore, there certainly cannot be a strictly independent economic accounting.

Some people said: Accounting of fixed assets can be carried out through the cost index. However, the depreciation of fixed assets forms only a very minor portion of the cost, and the basic depreciation in our industry amounts to only 0.8-0.9 percent of the cost of products. At present, the life expectancy of fixed assets in our industry is 27 years, so each year, only 1/27 of the value of fixed assets can be computed in the value of products. This portion is far from adequate for reflecting the result of fixed asset utilization. Therefore, it is impossible to carry out an all-round accounting and comprehensive evaluation of the utilization of fixed assets by enterprises only through the cost index. This defect can only be remedied through a system of paying for the use of fixed assets coupled with the adoption of capital profit rate index. Then we can set up an all-round, complete and strict economic accounting system for enterprises.

Secondly, it encourages the enterprises to be more concerned with savings from, and effective use of, fixed assets from the standpoint of material benefits.

Practice over a long time has proved that the system of unpaid use is not a good management method because it can produce pessimism similar to that caused by the "communal kitchen." The system of paying for the use will prevent and overcome this defect, because, by this means, enterprises which have efficient control, and make good use, of fixed assets can gain more profit while paying the same rate of tax for their use; and out of greater profit, they can gain more benefits. Those who are not efficient in the control, or cannot make good use of fixed assets, will make less profit while paying tax at the same rate on fixed assets, and thus obtain less benefits. This will induce the enterprises and their personnel to be judicious in the use of fixed assets and to use them to the best advantage. At the same time, they are encouraged to reject fixed assets offered by capital construction units if these assets may turn out to be liabilities. Thus they will indirectly force the construction departments and machinery production departments to be more concerned with economic results. This kind of pressure is useful in changing the situation of production with



less, slow, poor and wasteful results--a situation which actually exists despite large sums of money being spent to boost production. It will also help speed up the development of socialist production, on the basis of which people's material and cultural life will be improved.

However, if the state only collects tax from enterprises on the use of fixed assets and this tax has nothing to do with the material welfare of the enterprises and their personnel, there can still be no breakthrough of the old administrative convention. Tax paid in any amount does not affect the enterprises and their personnel, because whatever tax paid here will be offset by the reduction of profit tax, so that after all, nothing is changed. This cannot arouse their enthusiasm in trying on their own initiative to increase or improve their utilization of fixed assets. Speaking of socialist economic construction, Lenin said: "We are not directly relying on enthusiasm, but are aided by the enthusiasm engendered by the great revolution and on the basis of personal interests, personal incentive and business principles." (Lenin: "Fourth Anniversary of October revolution," "Selected Works of Lenin," Vol 4 p 572) Therefore, in enforcing the system of paying for the use of fixed assets, good utilization must be linked with the material benefits of the enterprises and their personnel. This will give the enterprises and their personnel a strong impetus to control and use the fixed assets well. This is the most basic superiority in the system of paying for the use of fixed assets.

Thirdly, it arouses the enthusiasm of the enterprises in promptly dealing with slow assets.

This is another advantage of the economic forces resulting from the relationship between the system of paying for the use and the material benefits of the enterprises and their personnel. Under the system of unpaid use of fixed assets, the free transfer of these assets among enterprises can easily produce departmentalism or "lack of consideration for the whole and complete indifference to other departments, localities and people." (Mao Zedong: "Rectify the Party's Style of Work," "Selected Works of Mao Zedong," Vol 3 p 782) The units having excessive equipment feel that it is easy to transfer out but difficult to transfer in. If they leave the excessive items in the warehouses, they do not have to charge any depreciation or to add anything to the production cost. Therefore, it is better to lay them aside than to transfer them away. A Shanghai factory director said in the 1960's: "How difficult it is to buy a new set of equipment. We have to wait for the grant of funds and then submit our application. We don't get anything when it is transferred away. It is quite simple. People can take it away only by producing a transfer slip. So who would let their equipment be taken away for nothing!" Some enterprise cadres even said: "If anything transferred in is not suitable for our use, we can transfer it out again. The factory would not be affected at all. Besides, we can have some 'extra gains!'" (Here "extra gains" mean some spare parts or accessories, including screws and copper wires, which can be removed from the machine to be used for other purposes. It costs nothing to send an incomplete machine away.)

(See "Investigation Report on Shanghai Machine Tool Plant" 1961, by the Economics Institute of the Chinese Academy of Science) Enterprises in need of equipment give no thought to its suitability, because "anything in the pocket is money." There can be no harm in asking, even blindly, for more when a requisition form is being filled out, because surplus is better than deficit. Thus, the enterprises do not have to pay much attention to utilization. Even though some equipment is left idle, they do not have to take any timely corrective action. Consequently, idle items continue to accumulate.

If the receiving parties have to pay for the transfers, they will be more concerned with their slow assets. This will help save state investments, encourage the enterprises to tap the potentials of equipment and increase their productive forces. But the enterprises at the giving end must be permitted to keep funds paid for the transfer to be used for their future acquisition of fixed assets, while the receiving party should pay for the transfer out of their depreciation fund. If, however, the state still has to reimburse the receiving party, there will still be no difference from the former system of not paying for the transfer.

The system of paying for the use of fixed assets as a means to encourage the enterprises to take better care of their slow assets is by no means based on logical inference, but proved by concrete facts. For example, when the Shanghai Machine Tool Plant collected payments for transferring out equipment and included these payments in their operating fund from 1958 to 1959, the management was very enthusiastic in getting rid of slow assets. In 1957, some 1.54 million yuan's worth of equipment were left idle; but the amount was reduced to 1.06 million yuan in 1958 and further reduced to 780,00 yuan in 1959, being nearly 50 percent of the 1957 figure. However, when the system of unpaid transfer was restored in 1960, they became lax again in this respect, and the value of unnecessary fixed assets rose to 1.35 million yuan, showing a 77.5 percent increase over that of 1959, and thereafter continued to increase every year. In 1961, it was 1,385,000 yuan; in 1962, 4.7 million yuan; and in 1963, 4.94 million yuan, being more than six times that of 1959 when the system of paid transfer was in experiment, and 11 percent of the original value of fixed assets. (see "The Question of Utilization of Fixed Assets" 1964 by the Fixed Assets Investigation Group of the First Machine Building Ministry Work Team) This fact vividly shows the difference between the systems of paid and unpaid transfers and can tell us which is good and which is bad.

Fourthly, it helps equalize different enterprises' profit levels.

To tax on the use of fixed assets according to a fixed rate based on the enterprises' net income reflects the relations between the whole society and the individual enterprises according to economic accounting in distribution and redistribution of profit by the state. At present, there are big differences between the profit levels of various lines of state-run enterprises for various reasons, such as the amount of capital invested,

technological equipment, geographical conditions, natural resources (such as poor mines and rich mines) and the element of pricing. Therefore, it is quite difficult to assess the subjective efforts of different enterprises in business management on the basis of the profit levels. If the rate of tax on the use of fixed assets is applied, an enterprise which is big and modern with more and better equipment to account for its higher productivity and greater profit, has to pay more tax on fixed assets after handing over to the state part of its profit. The greater amount of tax on fixed assets will offset the advantages it enjoys in the way of more and better equipment. Also, the advantages enjoyed by an enterprise of good transportation or other natural facilities are also kept within bounds by the state through a higher rate of tax on fixed assets. Thus, after paying tax on fixed assets, the amount of profit left will more accurately reflect on the subjective efforts of the enterprises and their personnel in utilizing and controlling fixed assets. In other words, through different rates of tax on the use of fixed assets, the state can play the role of adjusting the profit levels and narrowing the gap between them caused by objective factors.

After all, in reforming economic management, the system of paying for the use of fixed assets based on objective laws can help prevent the serious wastes caused by the present way of management and use of fixed assets, and improve their utilization. It is of great significance in promoting on-schedule completion of capital construction projects, speeding up the birth of new productive forces, promoting technology and accelerating the development of productive forces and realization of the four modernizations.

#### Several Theoretical Problems Clarified

During the present important reform of economic management, there still exist some different ideas and interpretations on the question of paying for the use of fix assets. The following crude views are presented by us for our comrades' discussion.

First, will the system of paying for the use of fixed assets alter the character of state-run enterprises with regard to their ownership by the whole people?

One of the reasons for this question raised by some comrades is that since state-run enterprises are owned by the whole people, the state, as the representative of the whole people, should not tax on the use of fixed assets by enterprises. In other words, the state cannot tax on what is used by itself; otherwise, the character of the enterprises under the system of ownership by the whole people would be altered.

We feel that this view is incorrect. For the capital fund of an enterprise used for production, state banks are collecting interests on loans to be used as circulating capital. This does not mean any alteration of the character of ownership by the whole people, and is generally accepted by the people. Then why should the state's collection of tax on the fixed capital out of the enterprises' capital fund in any way affect the system of ownership by



the whole people? Despite the difference in the forms of the two, their economic character is the same, since both of them show that the state has the right to collect tax on the means of production and capital fund which belong to the society and which are used by enterprises, but owned by the whole people. On the other hand, the enterprises have the duty to contribute to the state part of their surplus produce, thus embodying the normal economic relations between a socialist state and the enterprises owned by the whole people. Although they are relatively independent in economic accounting, their character of ownership by the whole people remains unchanged.

Another reason advanced by comrades holding the above view is that under this system, the transfer of fixed assets among state-run enterprises involves payment which in effect means the conversion of the means of production into commodities, and the enterprises become owners and exchangers of commodities. Would this affect their character of ownership by the whole people?

We feel that this view too is groundless. Since raw materials, fuels and other means of production can be exchanged among state-run enterprises on an equal value basis, and people never thought that this exchange would affect the ownership of the enterprises by the whole people, why should the transfer of fixed assets (such as machinery, equipment, buildings and so forth) on a pay basis be an exception? Stalin pointed out: "As the owners of the means of production, the state can supply them to any enterprise and not in any way lose its rights of ownership. On the contrary, it completely holds on to these rights." (Stalin: "Economic Problems of Soviet Socialism," 1961 p 41) According to Marxist political economy, the system of ownership means to whom the means of production belongs. Transfer on a pay basis means only the transfer of the right to use the means of production among enterprises, and the state would never lose its rights of ownership of these means of production. On the other hand, the enterprises at both the giving and the receiving ends of the transfer cannot become collective owners or capitalist enterprises just because of the transfer, while the fixed assets involved would never become collective or capitalist individual property. Then how can the character of ownership of the enterprises by the whole people be changed? In fact, under socialist conditions, state-run enterprises practice independent economic accounting whereby commodities can be exchanged among them at equal value in various forms. So how can the transfer of fixed assets be an exception?

People in general hold that only transfer on a nonpayment basis can truly embody the enterprises' character of ownership by the whole people but lose sight of a peculiar economic phenomenon: the machinery and equipment of an "enterprise owned by the whole people" cannot normally be moved away by the state and are usually not receiving good care from the enterprise. For example, a certain rubber factory in Beijing had a horizontal conveyor belt type sulphonation machine costing about 34,000 yuan. This machine was left idle for 4 or 5 years. Recently, a certain chemical industry plant in Beijing made repeated applications for the use of this machine, but the rubber factory was unwilling to let it go even though it was left idle in the warehouse. Why? Because it would be an unpaid transfer. An even



more serious situation is that no report is made by the enterprises on the amount of slow assets. For example, in 1977, the transportation department of a certain company in the national capital had nine sets of equipment which had been left idle for a long time. The value of this equipment totaled 1.9 million yuan. Yet this was not reported. A comrade of this company said: "We did not include it in our records, lest the authorities transfer it away from us." Does it mean that the character of ownership by the whole people can only be reflected by the unpaid transfer of equipment?

Secondly, will the system of paying for the use of fixed assets mean recognition of the principle that capital funds can create profit?

Some comrades raised this question: "If enterprises are to pay tax on the fixed assets to the state out of their net income, does it mean our agreement that capital too can create profit and our denial that labor alone creates values?" I think they are mistaken.

Labor creates profit. This is general knowledge according to Marxist political economy. In the process of production, capital, which embodies the means of production and represents materialized labor is a necessary condition for reproduction, but not considered as a means to create commodity value. Only living labor can recover the value of the means of production, which has been consumed in the process of production, and transfer it to commodity besides adding some new value to it. This is how the value of surplus produce is formed, or how profit is created.

However, there is a close relationship between the amount of profit on the one hand and the amount of capital and the way it is used on the other. Among enterprises in the same line of business, if the same amount of capital, particularly capital in the form of fixed assets including machinery and other equipment, are used to better advantage, and thus show a higher utilization rate, that enterprise then can claim a higher labor productivity, because with an equal labor force, it can make better use of the means of production and produce more. In this way, the cost of production becomes lower, that is, lower than the social standard, and greater profit results. From this, we can see that the relationship between capital and profit is not manifested in the ability of capital to produce profit, but in the way capital is utilized or the way in which it affects the amount of profit gained. (Marx said: "Machinery created value not insofar as it has value—for the latter is simply replaced—but rather only insofar as it increases relative surplus time, or decreases necessary labor time. In the same proportion then as that in which its scope grows, the mass of products must increase, and the living labor employed relatively decrease. The less the value of the fixed capital in relation to its effectiveness, the more does it correspond to its purpose." (*Foundations of the Critique on Political Economy*," (rough Draft) Notebook 3, p. 398)

Therefore, the state has the right to demand that under identical conditions, different enterprises in various departments using the same amount of capital should produce the same amount of products and gain the same amount of profit. This is theoretically the reason why enterprises should pay tax on the fixed assets out of their net income.

Thirdly, since the depreciation on fixed assets has already been charged, will the collection of tax be repetitious?

Some comrades have said: "Since the enterprises have already been charged for the depreciation on fixed assets, the state's collection of tax will be repetitious." We are of the opinion that it is not repetitious.

Depreciation is computed according to the gradual wear and tear of fixed assets in the course of reproduction. The depreciation of value is made by the value of the commodity produced, and the payment for depreciation goes into a reserve fund for the renovation or replacement of fixed assets. This payment has the character of compensation for the loss of the capital fund. Tax on fixed assets is paid out of the net income according to a certain rate on the total amount of fixed assets used. It has the character of surplus produce value used by the state for distribution or redistribution. It presupposes that the enterprise must have adequate income to insure the payment of tax. Thus from the standpoint of economic benefits, the enterprise will be induced to make the most rational and effective use of the fixed assets.

Undoubtedly, both the charge for depreciation and the collection of tax for the use of fixed assets are intended as a means to examine the enterprise's business operation. But they come under different economic categories and have different characteristics, contents and functions. Charge for depreciation is concerned with the amount of capital fund already expended, while tax on the use of fixed assets is concerned with the capital fund still in use. The former is intended for the replenishment of the expended capital, while the latter demands that the enterprises using the fixed assets must at least contribute something to the society. Therefore, it is incorrect to consider the two as repetitious and to confuse expended capital with capital still in use.

Fourthly, when the profit rate for capital has already been adopted, can the collection of tax on the use of fixed assets be dispensed with?

Some people held that "since the state has already fixed the capital profit rate as a means of examining enterprise operation, why is it still necessary to use the system of taxation?" This view is due to inadequate knowledge of the relationship between capital profit rate and the capital tax.

There is a close relationship between capital profit rate and capital tax. Both of them are based on the amount of capital funds used and the way--effective or ineffective--of using it (here we refer mainly to fixed assets). They encourage enterprises in the same department and under the same conditions to use the minimum capital to produce the maximum products. The use of the capital profit rate index to examine enterprise operation, and the permission for successful enterprises to keep a certain amount of the profits will insure their ability to pay capital tax. In this sense, we can say that it is a necessary means for the effective implementation of the system of paying for the use of fixed assets. On the other hand, the

collection of capital tax helps reflect the achievements of an enterprise through the capital profit rate index, because, if the enterprises using the capital cannot be sure of its ability to pay capital tax, this will prove its poor utilization of capital and the poor results of its operation.

However, the concrete contents of capital profit rate and capital tax, the concrete methods of their functions and the objectives of these functions are different and should not be confused.

Capital profit rate mainly serves to check on the result of capital utilization. Capital tax, however, is to be collected according to established rates regardless of the profit rate level. It serves to remind the enterprises of the need to use the correct amount of capital from the very beginning. Capital profit rate can change according to the enterprises' profit level and the amount of capital used, and can serve as the basis for rewarding or penalizing the enterprise. Capital tax on the other hand is based on the amount of capital used and paid out of the net income, and is one of the methods of social concentration of surplus produce. The capital profit rate serves as a yardstick of the success of capital utilization. By permitting the enterprise to keep part of the profit when they have over-fulfilled the profit quota, it provides incentive to business management as well as material benefits for the personnel. By checking on the final result of business operation, it encourages enterprises to make good use of their capital. Capital tax, however, serves to remind the enterprises of their need to show concern for the capital allocated by the state from the standpoint of material benefits, because it urges the enterprises to be judicious in the use of capital fund by first reminding them of their obligation to pay tax at the established rates. The difference between capital tax and capital profit rate is that the former stresses the need to use the correct amount of capital, while the latter stresses the need to supervise the way the capital is being used; that the former is concerned with the beginning of capital management, while the latter is concerned with the outcome of capital management; that the former is stipulated beforehand, meaning that it takes effect immediately, while the latter is a review of business activities and an evaluation of the result; and that the former's rate is fixed and compulsory in nature, while the latter is adjustable and flexible.

There is also a difference in significance between capital profit rate and capital tax rate. The former shows the ratio between profit made and the total amount of capital originally allocated, while the latter is the ratio between the tax collected and the total amount of the originally allocated capital. Under normal conditions, when the state fixes the average capital profit rate for a department or a trade, there should be a guarantee that after paying the capital tax, the enterprise should have some surplus profit. Capital tax rate, however, is based on the enterprise's minimum, the enterprise should suffer loss. Therefore, the capital tax rate is below the capital profit rate. However, the two are related in this sense: after the fixing of capital tax rate, the higher the capital profit rate, the more would be the guarantee for the enterprise to pay capital tax and the greater would be the benefit to the enterprise itself. Conversely, if the capital profit rate of an enterprise is low, the result would be the reverse.



Besides the above problems which require clarification, some comrades raised this practical question: "In view of the present low profit margin, why should there be the system of paying for the use of fixed assets? In so doing, the enterprises' profit will be even less and may even bring losses to many enterprises."

True, present conditions may seem that way. However, if we take a long-range view, the control of capital funds with this important economic method will help the enterprises to increase their profit. If the enterprises will show greater attention to their utilization of fixed assets and improve their business management on their own initiative, their loss will gradually diminish until it entirely disappears and gradually changes to profit. Apart from the lower productivity of our labor force and many other factors, the low profit level of enterprises is inseparable from their backward economic management, including the management of fixed assets. Therefore, instead of being timid and hesitant, we should follow Comrade Hua Guofeng's instruction, "further emancipate our minds, be bolder, devise more measures and quicken our steps" and adopt the system of paying for the use of fixed assets in order to meet the needs of modernized large-scale production.

#### Concrete Measures of Implementation

Besides the above questions, we should study and solve the following specific questions in implementing the system of paying for the use of fixed assets.

First, the fixing of capital tax rate.

To accurately fix the rate of tax on fixed capital based on the special features of different trades is a very complex matter which can be accomplished in only a generally rational way. Both fixed capital and circulating capital are requisites for reproduction, but circulating capital has a quicker turnover than does fixed capital. Therefore, the tax rate for the use of fixed capital should be slightly lower than the interest rate of current bank loans for use as circulating capital. The tax rate cannot be so low that it fails to encourage the enterprises to show better care for their fixed assets. However, if the rate is too high, it imposes a excessive burden on most enterprises. At present, fixing the tax rate slightly lower than the bank rate for circulating capital may possibly be consistent with the present general profit level of enterprises.

However, as mentioned above, there are many causes for the profit disparity between different trades and enterprises. If a uniform tax rate for national economy is practiced, it will not be able to arouse the enthusiasm of those trades in regions with low profit levels. Theoretically speaking, for big enterprises having higher rate should be fixed. Conversely, smaller enterprises having lower labor productivity and less profit or even suffering losses, a time limit should be set for them to improve; otherwise it will mean protection for the backward units. At the same time, proceeding from the actual situation of economic development and the level of profit in our country, and before fixing a uniform tax rate according to the requirements



of the national economy, we should also duly consider the disparity between coastal and inland regions and work out different rates for different enterprises in order to protect various economic interests. Only thus can we arouse their socialist enthusiasm.

Secondly, the basis for the computation of tax.

Should the computation of tax for the use of fixed assets be based on the original value, or the net value? (Note: According to the political economic concept dealing with the forms of fixed assets value, gross value corresponds with net value and original value corresponds with replacement value. In our country, the original value of fixed assets is usually regarded as gross value) Each has its own advantages and disadvantages. Computing according to the original value is relatively stable, and can be more easily used for comparison purposes. If an enterprise saves on the use of fixed assets, the amount of tax will be correspondingly reduced. If, on the other hand, the computation is based on net value, the tax will be reduced along with the diminishing net value, and the enterprise can without any effort reduced the tax to the absolute minimum. Furthermore, although the buildings and a lot of equipment have been used by enterprises for many years, they have been maintained and repaired so that their original use value can still be preserved. Some equipment has been completely innovated after a series of partial renovations, and can continue to support production. Therefore, it is unreasonable to compute tax according to its net value. However, some comrades held that if the computation is based on the original value, it would encourage the users to prematurely regard it as unserviceable instead of trying to prolong its life expectancy through maintenance and repairs. Therefore, they prefer computation on the basis of net value. We are of the opinion that since this tax is intended as a means of checking on the allocated fund to the enterprise, the original value should be used as the basis of computation.

Thirdly, the scope of taxation.

It seems correct that the scope of taxation be confined to fixed assets used by enterprises for production. As to those assets which play a comparatively small role in the direct process of production, reduction of, or even exemption from, tax, should be considered. Items of an unproductive nature used by enterprises, such as welfare establishments, dining halls, health centers, schools for dependents, nurseries and workers' dormitories, should not be taxable. These fixed assets do not come under the category of instruments of labor for material production. Particularly in recent years, because of the disruption and destruction by Lin Biao and the "gang of four," who never cared about people's lives, payments for the use of workers' dormitories have been in arrear over a long time, and this situation has seriously affected production. Under such circumstances, the use of fixed assets should be exempt from tax. However, some comrades feel that if nonproductive fixed assets are used in productive fields, then, as a matter of policy, it would encourage the enterprises to expand their nonproductive construction. This point is well raised and calls for further study.

As to the scope of taxation, reduction or exemption should be granted to enterprises under the following specific conditions: when, in implementing state plans and economic policies, the enterprises have to sell below cost and thus suffer loss in upholding policies; when enterprises are newly established and cannot develop their productive forces to the designed capacity; when enterprises buy fixed assets with small loans and before these loans are redeemed; when enterprises suffer serious natural disasters and are forced to stop work and production. These measures should be practical and helpful in implementing the policy to collect tax for the use of fixed assets.

After all, taxation on the use of fixed capital is an important experiment for the reform of the system of management of fixed assets. This experiment affects many aspects of the relations of production and the superstructure, and involves changes in the forms of enterprise management, human activities and ideology. Therefore, in formulating plans, we must thoroughly study some complex problems. We must be active and bold, as well as cautious and steady in striving to create the required conditions through practical work. After carrying out a complete auditing of the assets and capital funds and the "five fixes" among the state-run enterprises, we should set up trial spots in a systematic and planned way, draw our experiences from these spots and then gradually popularize them. As to organizational measures, we should adopt the same method as used for capital construction management, and set up special organizations for the management of current fixed assets used by enterprises. These organizations should work in harmony with other departments concerned in working out an overall arrangement and plan on the renovation or rebuilding of fixed assets, in checking up on the results of their utilization, and in adjusting (including the transfer of fixed assets among enterprises on a pay basis and the equalization of their uses), and collecting fixed capital tax. They should also pay attention to developing the role of various grassroot level economic organizations in managing fixed assets with better economic methods in order to accelerate the growth of productive forces and the realization of the four modernizations.

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## **FINANCE AND BANKING**

### **BRIEFS**

**GUANGXI--BANK SAVINGS**—Nanning, 23 May—New savings accounts have multiplied in Guangxi Zhuang Autonomous Region since the beginning of this year, following record savings deposits last year. Fixed deposits amounted to 72 percent of the January-April bank savings. The January-April savings deposits were equivalent to 54 percent of the bank credits provided to industry, or 64 percent of the bank credits provided to agriculture, in the region in the same period. The peasants' income rose 3 percent last year, through grain production was not satisfactory. Rural savings deposits in the first 4 months of 1979 were 35 percent more than in the same period of 1978. [Beijing XINHUA in English 0813 GMT 23 May 79 OW]

**SHANDONG SAVING DEPOSITS**—Since the beginning of this year, the masses in cities and towns across Shandong Province have remarkably increased their savings deposits. From January to May, the amount of new savings deposits was three times that during the corresponding period last year. The annual target for increased savings deposits in cities and towns was met 7 months ahead of schedule. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 26 Jun 79 SK]

CSO: 4006

## FUELS AND POWER

### INCREASED ELECTRICAL PRODUCTION, CONSERVANCY IN CONSUMPTION URGED

Beijing RENMIN RIBAO in Chinese 29 May 79 p 1

[Article by the newspaper's commentator: "Balance the Books for Increased Production and Economy of Electricity"]

[Text] As the campaign to increase production and practice economy mounts daily, practical and effective measures to increase production of electricity and economize on its use are objectives that all producers and users of electricity should strive to attain. They are also matters that should attract the attention of every trade and profession.

How to solve the problems of the electricity shortage is the unanimous cry on the production fronts of industry and agriculture throughout the nation. In many areas numerous factories are still working under capacity as a result of the severe shortage of electricity. Many newly built enterprises have been unable to begin production or be used in any way for lack of electricity. Investigations in some provinces, municipalities and autonomous regions reveal that without further investment in new plant, production could be increased by 20 or 30 percent if only the supply of electricity was adequate for existing facilities. Once the "gang of four" was smashed, the broad masses of cadres, engineering technicians, and workers on the electrical industry battle line performed prodigious amounts of work with striking results. Within the past 2 years newly increased generating capacity has amounted to 8 million kilowatts increasing electrical capacity by 53.4 billion kilowatt hours. Coal consumption per kilowatt hour is 80 grams less than the best previous posted record. So far this year, electric generating capacity has steadily risen over the 1978 production figure of more than 30 billion kilowatt hours. Compared with the same period last year, an increase of 11.8 percent has occurred to surpass the state plan week by week and month by month. The quality of electricity provided has also seen a return to normal in the cycling rate on most electric grids throughout the country. Consumption of coal to generate electricity has shown a saving during the first 4 months of this year of 1,650,000 tons. The broad masses of staff and workers on the battle line of the power industry have made an immense contribution to the amelioration of the shortage of electric power.



Where does the road lie to a fundamental change in the pattern of shortages of electric power? Over the long range there will have to be an acceleration in the construction of power generating capacity with more, faster, and better installation of electrical generating units if the conflict between equipment that generates electricity and equipment that consumes it is to be resolved. For the short range, there must be an assiduous and vigorous increase in electrical output and economy in its use simultaneous with acceleration in the construction of the greater capacity that began this year. Output of equipment capable of generating 300,000 kilowatts at the Chongqing Power Plant slipped at one point to only 50,000 kilowatts owing to disturbances caused by the "gang of four." Following concerted action and an all out effort to overhaul equipment and make it generate electricity safely, the 300,000 kilowatt equipment was restored to full generation capacity. The Qinghe Generating Plant in Liaoning province, with equipment rated at 1.1 million kilowatts, is presently the largest thermal power plant in the country, but when it went into operation, it generated only 300,000 kilowatts of electricity. A large plant turned into a small plant. But last year, following reorganization, the morale of the staff and workers took on an entirely new look and they, in concert with the installation unit, remedied the shortcomings in the equipment. Following overhaul of five different conditions by the generating unit, good results were obtained with the equipment and safe generation of its rated 1.1 million kilowatts was achieved. Up until last year electric power generating equipment capable of producing a total of 4 million kilowatts was inoperative. After a thorough going effort over the period of one year by electrical sectors concerned, output of 2.4 million kilowatts was restored. This amounts to a daily increase of 40 million kilowatt hours. If used to smelt steel, this amount of electricity could smelt more than 80,000 tons. If used to mine coal, it could produce more than 1,250,000 tons. It may be seen from this that by boosting morale, by working extremely hard, and by the adoption of sound measures, the same facilities are capable of generating more electricity.

If one way to ameliorate the current electricity shortage is to increase output, another way is to decrease consumption. Steadfast practice of economy in the use of electricity can decrease the per unit amount of electricity used to produce every manufacture.

There are numerous places where economies in the use of electricity can be put into practice with great profit. At the moment considerable waste in the use of electricity exists in industry, in agriculture, and in daily life. A little calculation of cost by everyone will show it is worth taking seriously.

Statistics show that the overall amount of electricity consumed for the production of one ton of steel throughout the country in 1965 was 665 kilowatt hours. In 1967 it was 1,102 kilowatt hours. At major coal mines, each ton of coal mined required 2.14 kilowatt hours in 1965. In

1977 it was 31.9 kilowatt hours. In the chemical industry, for every 10,000 yuan worth of products, consumption of electricity registered 5,378 kilowatts in 1965. In 1977, that figure became 8,453 kilowatt hours. There was a great variation between high and low expenditures of electricity for the same manufactures. In 1978, of 30 items selected as key indicators of electricity consumption in major enterprises, 20 failed to cut consumption of electricity to the lowest levels of record. The rise in consumption norms are partially attributable to great increases in electrification, but it is an undeniable fact that large amounts of electricity have been wasted through backward technology and poor management. If the norms for the consumption of electricity in key enterprises throughout the entire country could be made to equal the best on record, 12 billion kilowatt hours could be saved. Electric power construction in our country is not integrated, the level of management is low, much is consumed in factories, wear and tear on power lines is particularly great in rural villages where problems with power lines and equipment are more numerous, electric hookups are done in a helter-skelter way, and power stations are built too haphazardly, so that a situation of great expenditures of effort for small gains is universal. In rural villages, the wear and tear rate on power transmission lines runs above 20 percent. If the rate of wear and tear on power lines in private use or used to supply electricity could be brought down to the lowest level on record, several thousand million kilowatts of electricity could be saved.

Electricity used by residences does not account for very much in comparison with the amount used otherwise throughout the country, but it is significant in any advocacy of a habit of economy. Under present circumstances, whenever electricity bills are calculated on a "lights included" basis or on the basis of "partial or total public subsidization of electric costs," rather than on actual meter readings, the consumption of electricity is usually 20, 30, or even 60, 70 or as much as 100 percent greater. We must, therefore, talk up conservation as honorable and waste as shameful. We must let everyone know that because of a shortage of electricity numerous enterprises are presently unable to work at capacity, and that waste of electricity not only constitutes waste of an energy resource but also limits the speed of development of the national economy. It is not very difficult for every household or every user of electricity to save one kilowatt, but there are benefits to be gained from the use of this kilowatt in industrial and agricultural production. One kilowatt of electricity can weave 20 chi of cloth, or mine 60 jin of coal, or irrigate half a mu of land. In the development of the national economy, one kilowatt of electricity can create 2.55 yuan worth of value. In the use of electricity in daily life, particular effort must be given to equal payment for equal consumption of electricity no matter by which unit it is consumed or by what level of cadres. On the issue of electricity use, there can be no special privileges, generosity at state expense, or use of electricity as a benefit for staff and employees. That this relates to the carrying on and the carrying forward of the arduous struggle of the

party, and that it is closely related to the important matter of the fine traditions of the masses should attract attention. In order to put limited electricity to best use, attention must be given to sensible use of electric power, and the best methods for supplying electricity must be adopted. Presently some places support small chemical fertilizer plants or small steel plants where electricity consumption is higher than in large plants by as much as 1, 2, 3, or 4 times while their products are inferior and their sources of raw materials either nonexistent or chancey. Wouldn't greater economic benefits result if, after proper readjustments at such enterprises, electricity were taken from them and given to large plants!

Increased production of electricity and conservation in consumption are absolutely indispensable material necessities for the development of every trade and profession. Given electricity, the entire national economy will flourish. This is a great problem affecting the whole situation. The broad masses of staff and employees in the entire electrical industry battle line should rally to put electricity over the top.

9432  
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## FUELS AND POWER

### SHANDONG CIRCULAR NAMES OILFIELD, ENTERPRISES AS DAQING-TYPE

Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Jul 79 SK

[Excerpts] Recently, the Shandong provincial CCP and revolutionary committees issued a circular decided to name Shengli oilfield, Shengli Petrochemical General Plant, Zaozhuang Mining Administration and 403 other industrial, communications and capital construction enterprises and establishments Daqing-type enterprises in 1978 and award them silk banners for recognition. The circular also calls on the enterprises and establishments on industrial, communications and capital construction fronts to learn from them and carry out the mass movement to learn from Daqing in a thoroughgoing and sustained way and strive to make contributions to the four modernizations.

Last year, in carrying out the movement to learn from Daqing in industry under the leadership of the provincial CCP committee and party committees at all levels and in accordance with the strategic policy of the party Central Committee in grasping the key link in running the country well, our province firmly attended the work of reorganizing enterprises. The province, prefectures and counties sent some 8,850 cadres, organized in 1,370 work teams, to go deep into grassroots units to help reorganize and establish Daqing-type enterprises.

This movement also centered on the requirements put forward by the provincial CCP committee on improving the quality of products, lowering costs and increasing profits, thus intensifying the management of enterprises. The various units in prefectures and municipalities held fast to the principle of tapping potentials, renovation and transformation and, relying on existing equipment, worked hard to bring about an upsurge in production. Without increasing equipment in the main, the output of raw coal in the province topped 40 million tons, setting an all-time record. The output of electrical power reached 15.49 billion kwh, showing an increase of 13.5 percent over that of 1977.

CSO: 4006



## MINERAL RESOURCES

### BRIEFS

**FUJIAN POLYMETALLIC ORES**—Fuzhou, 29 Jun—China's geological workers discovered polymetallic ores in the sea sand along the coast of Fujian Province. These deposits, found near Zhaoan and Xiamen, include xenotime, ilmenite, zircon and monazite. Ilmenite can provide valuable material for astronavigation, zircon can be used to make high-quality refractory bricks for metallurgical uses and pottery of certain specifications, while monazite contains rare earth metals and can be used to make petroleum catalysts. It is also used in certain medicines, and in the manufacture of color TV sets. Magnetites, pyrites and siliceous ores have also been discovered along the Fujian sea coast. Fujian Province has a total coastline of 3,300 kilometers. Geological workers are continuing to search mineral resources in the sand along the coast. [Beijing XINHUA in English 0258 GMT 29 Jun 79 OW]

CSO: 4020

## HEAVY INDUSTRY

### STANDARDIZATION OF INDUSTRIAL PRODUCTS CONSIDERED NECESSARY

Beijing NINGJI YANCHIU in Chinese No 4, 20 Apr 79 pp 25-28

[Article by Qiao Yungzhang [0829 3827 4545]: "Notes on What the Standardization of Industrial Products Means"]

[Text] Standardization of industrial products is a means of realizing the four modernizations as well as an important aspect of management of industrial technology. It is very important that the standardization of industrial production be strengthened in production and construction at present in order to meet the needs of the four modernizations.

#### I

What is standardization? Standard refers to a common technical criterion for different varieties and specifications of products, the methods of testing them, and their nomenclature, and is technically essential for production and construction undertakings. Standardization is the process and conclusion of the establishment of and conformity with standards. Standardization generally refers to three aspects: 1. Materials, such as raw and other materials, semifinished and finished products (including accessories and spare parts) and their specifications; 2. Methods and programming, such as methods of experiments, programming testing, safety rules and so forth; 3. Concept, such as diagrams, symbols, nomenclature and so forth.

Standardization is born and developed on the basis of production, utilization and scientific experiments, and runs through the whole process of socialized production. The three "ations" we usually talk about are the "specification" of quality, the serialization of varieties and specifications, and the general utilization of accessories and spare parts of industrial products. These three "ations" are the main contents of standardization. Quality specification means that the quality of industrial products should correspond with the standard specifications. The serialization of varieties and specifications means the classification of similar products according to certain rules. Its purpose is to meet the multifarious demands with comparatively less varieties and specifications. It is a technical measure to

arrange products of complex specifications and for similar utilization under a single denomination for classification. The general utilization of accessories and spare parts means that the accessories and spare parts of many different products are interchangeable. Items which can generally be utilized in a department, a country or many countries, are called standardized accessories and spare parts or standard items. The purpose of general utilization is to reduce the number of accessories and spare parts but to raise their utilization among various products. The more there are of accessories and spare parts of this type, the higher is the level of general utilization. Specifications are classified into state specification according to the scope of their application. Each of these three types is again divided into regular specification and trial specification according to the extent of its applicability.

The principal method of standardization is a process of unifying and simplifying on the basis of an overall assessment of advantages and disadvantages and then a selection of the best. As Comrade Mao Zedong said, the universality of contradictions exists in the peculiarity of contradictions. Though highly diversified, objective matters are governed by a common law. For example, the structures and theories of different products of the same series are identical; this is their common feature which also serves as the basis for unification and simplification. But the differences in their utility and specifications show their individuality. In a certain sense, the job of standardization is to pick out the common feature among many different items, preserve their good and essential portions, discard the bad and nonessential portions, and then work out a rational, unified and simplified stipulation for the items to be standardized according to the way they are to be used. Practice has proved that unless this unification has a fairly broad basis, no true simplification will be possible. Conversely, if there is no simplification, unification will lose its real significance. Therefore, simplification on the basis of selecting the best, and unification on the basis of simplification are closely related.

## II

There is a close relationship between the standardization of industrial products on the one hand and production, construction, scientific research and the people's livelihood on the other. Standardization is one of the basic conditions to guarantee the normal activities of production construction, scientific research and people's livelihood. Without standardization, or good standardization, of industrial products, we will be seriously handicapped in, or forced to stop, various activities. It is particularly unthinkable for production and construction departments to be without standardization.

Standardization of industrial products is an objective demand for the development of modern industrial production. As we know, modern industrial production is a form of highly socialized large-scale production based on cooperation and division of labor. Technically, there are very close

relationships among different products, enterprises, departments and different production sections within an enterprise. If an enterprise does not organize production according to standard specifications, it will not only find it hard to establish a normal production order but will also affect the normal progress of social reproduction as a whole. Standardization for industrial products is important because, through the establishment and implementation of standards, it forms an organic link for different products, enterprises, departments, and different sections in an enterprise and insures their cooperation on complete sets of industrial products. The more complex is the structure of industrial products and the more minute is the division of labor in production, the greater is the need to strengthen the standardization of industrial products.

Generally speaking, the functions of a standardization for industrial products in modern socialist construction are as follows:

1. Standardization for industrial products helps the specialization of industrial production. Standardization and specialization affect and promote each other. Standardization is the prerequisite of specialization, because, without standardization, there can be no specialization. Specialization of industrial products demands that there should be a unified standard for industrial products, fewer varieties, but large quantities. When industrial products have been standardized, there will be a unified technical standard, fewer varieties, and greater serial production. In this way, the production units will be able to adopt advanced process and special equipment of high efficiency to organize specialized production of accessories and spare parts of similar structures and requiring similar processing, and this will give full play to the superiority of specialization. In 1974, Jilin Province, according to the standard for provincial enterprises as promulgated in 1964, designed 24 types of new common furniture of different styles and specifications. After a unified standard of designing was established, mechanization was used to better advantage and the level of specialization continued to rise. According to the statistics of Jilin Woodware Plant, mechanization was raised from about 40 percent in 1964 to 71.3 percent in 1976, because of the establishment of several special streamlines of production following the "three 'ations.'" The quality of folding wooden chairs was raised 10-fold, apart from the saving of timbers and the reduction of cost price. Thus we can see that a successful combination of standardization and specialization can produce greater economic effects on the national economy.

2--Standardization of industrial products helps improve quality. The technical standard of industrial products serves as a yardstick of technical quality. Products up to or above the standard are good products; otherwise they are inferior products. The setting of quality standards for industrial products is based on production practice and scientific research, so strict adherence to standards will insure continued quality improvement. Before the implementation of the standard, the spring padlocks produced by the Harbin Lock Plant were inferior in quality and production was low. After the vigorous



enforcement of standardization, the plant improved its technical equipment and the quality of products was markedly improved. For example, the breaking strength of the locks according to the established standard was 100 kilograms. Before standardization, this plant's locks had a breaking strength of only 40 kilograms. After standardization, however, it rose to 120 kilograms. The proportion of its first-rate products was only 80 percent before standardization; it rose to 96.1 percent after standardization.

3--Standardization of industrial products helps raise productivity by a wide margin. Low productivity usually reflects the low levels of science and technology and of management in the country. At present, our labor productivity is still very low compared with those of advanced countries. Even within our own country, big differences of productivity can be seen in different areas and different enterprises in the same product. There are many ways to raise labor productivity, but the establishment and implementation of advanced technical standards is indispensable. Through standardization, of accessories and spare parts; increase serial production; promote specialization automation and mechanization; and raise labor productivity by a wide margin. In Beijing Municipality, production of cotton garments in past was not organized and was without a unified system of measurement. Most of them were produced manually, and, as a result, the spread of cotton wool was uneven, consumption was high and production was low. During the Great Cultural Revolution, the Beijing Municipal Garment Company established standard and unified specifications, and after standardization, used machines to spread the cotton wool. The spread became even and productivity rose six or seven times that of manual production.

4. Standardization of industrial products helps save raw and other materials and reduce production costs. For example, the floor type control boxes produced by the Shanghai Switch Plant was formerly backward in structure and called for high consumption of labor and material. Later, this plant improved its method of production according to the requirements of standardization and for each set of new products, the use of steel plate was reduced by 25 percent. Regular and auxiliary labor hours were reduced by 32 and 40 percent respectively.

Standardization of industrial products helps promote agricultural mechanization. At present, there are too many models of farm machines which are poor in quality, low in efficiency, high in price and difficult to maintain because of the scarcity of spare parts. Standardization of farm machines will help eliminate these defects by improving their quality, lowering production costs and raising their efficiency. Let us take the diesel engines of 135 series produced by the Shanghai Diesel Engine Plant as an example. This series was designed for trial production in 1958. From the very beginning, the plant has upheld the "three 'actions'" principle and by now, there are 70 different specifications for this type of machine. The basic model was 75-95 percent up to the standard, and the other models were also raised to 96-99.6 percent. Because of the serialization of production, most of the accessories and spare parts are suitable for general utilization, the cycle of designing and trial producing has been reduced and production increased

more than 10 times. The cost of production has also been reduced by a wide margin, and the product is now warmly welcomed by the commune members.

In addition, standardization of industrial products also plays important roles in developing varieties in a planned way, in promoting cooperation among different units in producing complete sets of machinery, facilitating maintenance of mechanical equipment, developing science and technology, raising the standard of management, and saving energy in designing by increasing speed.

### III

Guided by Chairman Mao's revolutionary line, standardization of industrial products in our country started from scratch. Old China was a semifeudal and semicolonial country with a poor industrial foundation. There was practically no technical standard to speak of. After the nationwide liberation and during the recovery of the national economy and the First Five-Year Plan, we mainly imported foreign standards. After 1957, because of the need for production and construction, a Standardization Bureau was formed under the National Scientific and Technological Commission to control standardization throughout the country, and the establishment of standards for our own industrial products began. In 1962, the State Council promulgated the "Measures for the Control of Standardization of Agricultural and Industrial Products, Engineering Construction and Technology." In 1963, regulations for 10 years' standardization were worked out, and more standardization control organizations were gradually set up. By now, we have 1900 national standards, more than 10,000 departmental standards and a large number of standards for military industry and other enterprises. The establishment and implementation of these standards should be a positive contribution to the development of production and construction and to the improvement of people's livelihood.

However, because of the interference and disruption by Lin Biao and the "gang of four," and our insufficient experience, standardization of our industrial products is still very inadequate for the needs of the four modernizations. This inadequacy is manifested as follows:

1. National standards are too few. In West Germany and Czechoslovakia, national standards number more than 15,000, while we have less than 2,000. Because of insufficient national standards, standardization lacks an adequately unified basis, and each department sets its own standards, causing great difficulty in production.
2. Technical standards are low, and complete sets of equipment are poor. Technical standards in our country are about the same as world standards of the 1950's, and only a small portion of them are up to the level of the 1960's and 1970's. Among our present national standards, 40 percent of them are more than 10 years old and are waiting to be revised. Some standards of products do not agree with the standards of materials or with the standards of experiments.

3. Control of enterprise standards is disorderly. Some of them have not been approved by the high control departments. Sometimes, standards are revised before they have been completely established. According to investigations by special control departments and by the localities, about one-fourth of industrial products are still without standards.

4. The situation of noncompliance with standards is quite serious. According to a thoroughgoing investigation carried out last year on technical standards, many products only partially conform to the standards, and only a small number were up to the required standards. The practice of lowering standards is also quite prevalent. About one-third of the product standards were ignored.

5. Establishment, approval, publication and enforcement of standards are slow. In Romania and Japan, the setting up of a national standard takes only 10 months. In our country, it normally takes 3 to 4 years or even longer.

From the above, we can see that standardization of industrial products in our country has become a very weak link in the control of production, construction and technology.

The Third Plenary Session of the 11th Party Central Committee decided to shift the emphasis of our party's work and the attention of the people of the country to socialist modernization. This is a strategic shift of great historical significance. Standardization serves as a means or a bridge to link scientific research, designing and production together. To suit the needs of the four modernizations, we must quickly establish a series of technical standards--mainly national standards but also including departmental and enterprise standards--which are mutually cooperative in all fields and can develop together in harmony.

From what we can see now, our work of standardization for our industrial products should proceed from reality and aim at modernization besides calling for stronger party leadership and improved organization and system.

The technical standard of industrial products involves rules and regulations embodied in the documents issued by the high control departments and implying compulsory measures. Therefore, the establishment of standards should proceed from realities and embody the spirit to achieve greater, faster, better and more economic results, besides being economical, practical, safe and dependable. Its scope can be national, professional or regional according to its merits. Anyway, standardization should be ahead of production. At the same time, in order to promote production techniques and make our products competitive in the world market, the set goals must be high and as close to the advanced world level as possible.

On the question of changing standards, we are of the opinion that once a standard is set, we should endeavor to preserve its stability instead of making frequent changes. However, we cannot be over conservative. Along



with the continuous scientific and technological progress, standards are also subject to the law of "weeding through the old to let the new grow"; otherwise, the standards will become "talismans" for backward and washed-out products. Standards for industrial products should be periodically reviewed. Matured departmental standards should be promptly raised to national standards. As to those which are backward or fail to keep pace or to agree with other standards, early revision is necessary. A time limit should be set for the establishment of standards for products which still do not have any. To promote the independence of enterprises, we should permit them to set more advanced and even better enterprise standards than the national and departmental ones. The principle "construction before destruction" should be upheld to avoid confusion. Readjustments for old products should be carried out as soon as possible, or the scope of production will keep on expanding to such an extent that later readjustment will be difficult.

It is necessary to strengthen scientific research on standardization. The establishment, implementation and revision of standards should all be confirmed by scientific results, and the index of standards must be based on scientific research. In conforming to standards, some technical problems may sometimes occur, and these problems can only be solved by scientific means. Revision of old standards should also rely on technical data provided by scientific research. The present scarcity of standards for our industrial products, their inferior quality, the slowness in getting standards set and approved are all closely related to inadequate scientific research on standardization for our needs and the lack of reliable technical data. Therefore, we must strengthen scientific research on standardization. We must concentrate our efforts to raise our professional level and at the same time actively learn from good foreign experiences and techniques concerning standardization and adopt them for our own use.

Established standards must be strictly enforced, because technical standards are useful only when they are applied in production and construction. To insure good quality for products, the production units should test the raw and other materials and necessary parts according to established standards. They should also organize their production strictly according to the standards. For good products, the policy of "good price for good quality" should be upheld, while inferior products should not be sold. If they have been already sold, the customers should be free to return them. Lowered standards must be raised again. If the quality of products of any unit is not up to the standard, every effort should be made to improve it. Production units should willingly accept supervision from their customers, the masses and the state if they want to insure a unified and stable basis of their standards. If they violate the established standards, they have not only to bear the political responsibility but also to suffer economic loss.

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## **HEAVY INDUSTRY**

### **SHANGHAI HOLDS MEETING ON PREVENTION OF SERIOUS FIRES**

Shanghai City Service in Mandarin 2300 GMT 7 Jul 79 OW

[Text] According to JIEFANG RIBAO, on 4 July the fire prevention office of the municipal public security bureau and the Minhang public security subbureau held an on-the-spot meeting at the Shanghai Electrical Machinery Plant on the serious fire that occurred at dawn on 29 June as a result of the plant's violation of the relevant rules and regulations on fire prevention.

During the meeting, all enterprises were called on to take warning from the fire at the Shanghai Electrical Machinery Plant, and to conscientiously draw a lesson from the fire at the plant and adopt effective measures to prevent a recurrence of such a serious accident in order to securely protect the safety of production, construction and the people's lives and property.

Investigations will be carried out to find out the cause of each previously reported fire, including the accidents at the Shanghai Electrical Machinery Plant, and affix responsibilities where due in the spirit of upholding the strictness as well as the impartiality of the law.

CSO: 4006

## LIGHT INDUSTRY

### BRIEFS

**HUNAN LIGHT, TEXTILE INDUSTRIES FORUM**--During the recently held provincial political work forum on light and textile industries, the participating comrades noted: We must be promoters of the readjustment of the national economy and make new contributions to quickening the pace of developing Hunan's light industry. In his speech at the forum, director of the provincial light industry bureau (Yang Wenzheng) said: During the readjustment, the economic management system must be reformed and various enterprise work must be rectified. Our light and textile industries have the following problems: There is imbalance among various trades and departments; product quality is poor; there are only a few colors and designs and there is a lack of coordination between production and marketing. Therefore, we must tangibly strengthen ideological and political work, wage the struggle to foster proletarian ideology and liquidate bourgeois ideology, educate the staff and workers to overcome bourgeois individualism and judge the situation as a whole, strengthen the sense of organization and discipline and greatly promote our light and textile industries. To counter the two kinds of erroneous ideological trends, we must deeply study the spirit of the third plenum of the party Central Committee, eliminate interference from both the left and the right, continue to emancipate our minds, voluntarily uphold the four basic principles and dedicate ourselves heart and soul to socialist modernization. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 7 Jun 79 HK]

CSO: 4006

## CAPITAL CONSTRUCTION

### BRIEFS

**EXPERIMENTAL QUAKEPROOF BUILDING**--Beijing, 28 Jun--China's first two-story experimental building of integrated prefabricated, prestressed concrete slabs and columns has been completed in a southern suburb of Beijing. The building, with a floor area of 378 square meters, is strong and can withstand earthquakes. It has attracted the attention of building technicians in many parts of China. Beijing, Sichuan and Tangshan are making plans to adopt this new structure in housing designs and construction. The method of construction is new to China. Using six or seven kinds of prestressed reinforced concrete parts of slabs and columns, buildings of different heights, shapes, and sizes can be constructed, with different floor plans and allocations of balconies and stairs. This method of construction is particularly suitable for residential houses, office buildings, schools, hotels, shops and workshops. With 90 percent of the parts prefabricated, little work has to be done on the spot, with the result that efficiency in construction is substantially increased. [Text] [Beijing XINHUA in English 0906 GMT 28 Jun 79 OW]

CSO: 4020

## DOMESTIC TRADE

### YUNNAN BUREAU HOLDS CONFERENCE ON VILLAGE TRADE FAIRS

Kunming Yunnan Provincial Service in Mandarin 1330 GMT 3 Jul 79 HK

[Excerpts from poor reception] The Yunnan industry and commerce administration bureau recently held in Kunming a conference of directors of industry and commerce bureaus in Yunnan. The conference emphatically discussed related policies regarding village trade fairs in the countryside. (Han Tianshi), deputy secretary of the Yunnan Provincial CCP Committee and vice chairman of the provincial revolutionary committee, and Wu Zuomin and Duan Baozhen, vice chairmen of the Yunnan Provincial Revolutionary Committee, listened to reports.

The conference noted: After the implementation of the spirit of the third plenum, village trade fairs in the countryside in Yunnan have become more prosperous. The amount of goods sold in the markets and transactions made have increased; and there have been more varieties of products. Some varieties of products have already been included in or [words indistinct] state's finance. Many agricultural sideline products which have not been on the market for years have once again reappeared. This has promoted the development of agricultural sideline products, made things convenient for the commune members' livelihood and been welcomed by the masses.

However, we must see that the pernicious influence of the ultraleftist line of Lin Biao and the gang of four has not been completely eliminated, and the village trade fairs have not been adequately (?developed). At present, we must still continue to criticize the ultraleftist line of Lin Biao and the gang of four, eliminate their pernicious influence and overcome the incorrect thinking of "prefer being 'left' to being right" which has existed in our work. Under the guidance of the four basic principles, we must truly control the village trade fairs in the countryside but not stifle them and activate them without creating confusion. We must achieve the objective of developing production increasing circulation and activating the markets.

We must strengthen the leadership and management of village trade fairs and do a very good job in integrating political education and economic measures



with administration. We must strictly handle those people who have seriously sabotaged rural economic policies and village trade fairs and have violated the law.

The conference held: Amid the current new situation, the industry and commerce administration departments must also strengthen the rules governing industrial and commercial enterprises and the management of brands and contracts. They must bring into play the roles of industry and commerce administration departments in promotion and supervision. They must uphold state plans and, in accordance with the conditions stipulated by the state, do well in running socialist enterprises.

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